

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|  |  |                                |  |   |  |                     |  |
|--|--|--------------------------------|--|---|--|---------------------|--|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other |  |                                |  | Local Unit Name<br>St. Clair County Road Commission   |  | County<br>St. Clair |  |
| Fiscal Year End<br>December 31, 2006   |  | Opinion Date<br>April 25, 2007 |  | Date Audit Report Submitted to State<br>June 27, 2007 |  |                     |  |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

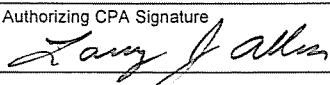
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

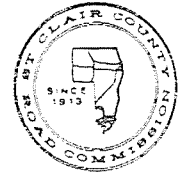
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |  |                                     |  |                              |
|--|--|-------------------------------------|--|------------------------------|
| <b>We have enclosed the following:</b>   |  | Enclosed                            | Not Required (enter a brief justification) |                              |
| Financial Statements   |  | <input checked="" type="checkbox"/> |  |                              |
| The letter of Comments and Recommendations   |  | <input checked="" type="checkbox"/> |  |                              |
| Other (Describe)   |  | <input checked="" type="checkbox"/> | Report on Internal Control                 |                              |
| Certified Public Accountant (Firm Name)<br>Stewart, Beauvais & Whipple PC  |  |                                     | Telephone Number<br>(810) 984-3829         |                              |
| Street Address<br>1979 Holland Avenue  |  |                                     | City<br>Port Huron                         | State<br>MI                  |
|  |  |                                     | Zip<br>48060                               |                              |
| Authorizing CPA Signature<br> |  | Printed Name<br>Larry J. Allen      |  | License Number<br>1101008117 |

St. Clair County Road Commission



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A Component Unit of St. Clair County, Michigan

# Comprehensive Annual Financial Report

## Year Ended December 31, 2006

Issued By

Donald M. Maronde,  
Managing Director

Greg A. Owens,  
Director of Internal Services

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**DECEMBER 31, 2006**

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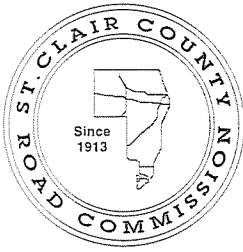
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## **SECTION ONE: INTRODUCTORY SECTION**



## *COUNTY OF ST. CLAIR*

*ROAD COMMISSION • PUBLIC WORKS*

*21 Airport Drive • St. Clair, Michigan 48079-1404*

*Phone: (810) 364-5720 • Fax: (810) 364-9050*

*E-Mail: [sccrc@mich.com](mailto:sccrc@mich.com) • Website: <http://www.sccrc-roads.org>*

*COMMISSIONERS: William L. Blumerich, Kenneth C. Foerster, Timothy J. LaLonde*

April 19, 2007

To the Board of County Road  
Commissioners and Citizens  
of St. Clair County

The comprehensive annual financial report of the St. Clair County Road Commission, a component unit of the County of St. Clair, Michigan for the year ended December 31, 2006 is hereby submitted as mandated by state statutes. These ordinances and statutes require that the St. Clair County Road Commission issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the St. Clair County Road Commission. All disclosures necessary to enable the reader to gain an understanding of the St. Clair County Road Commission's activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the St. Clair County Road Commission's principal and appointed officials. The financial section includes the basic financial statements and schedules, as well as the independent auditor's reports on these financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Generally accepted auditing principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Road Commission's MD&A can be found immediately following the report of the independent auditors.

The financial reporting entity (the Road Commission as legally defined) is a component unit of St. Clair County, Michigan. Component units are legally separate entities for which the primary government is financially accountable.

### **Profile of the Road Commission**

The St. Clair County Road Commission was created by St. Clair County in accordance with Michigan statutes. Its primary purpose is to account for Michigan Transportation Fund revenues distributed to St. Clair County, and all other revenues provided for the construction and maintenance of primary and local roads within St. Clair County (exclusive of those located within Cities and Villages).

The St. Clair County Board of Commissioners appoints a three member Board of County Road Commissioners to oversee the operations of the Road Commission. The members are appointed to six-year terms, staggered so that one term expires every two years. The Board of County Road Commissioners is responsible for adopting a budget, appointing a chief executive officer and establishing policies it deems necessary to fulfill its obligations.

The County of St. Clair, organized as a County in 1837, consists of 700 square miles with approximately 164,000 residents and is located in the lower eastern central portion of Michigan's Lower Peninsula. The County Seat, the City of Port Huron, is located about sixty miles north of Detroit, Michigan. The County currently is affected by the unfavorable economic environment after having experienced a strong local economy for the past three years. The County's manufacturing and industrial base are primarily automotive related. Economic diversification has been accomplished, however, as the three largest employers are the school district, a utility and a health care facility. The County's unemployment rate has been near the State level for the past three years. The employed work force totals well over 75,000 and continues to grow.

## **Major Initiatives**

*...Dedicated to providing effective, efficient, and responsive services within available financial resources ...*

As our county continues to experience the opportunities and challenges of growth and development, our mission statement of providing effective, efficient and responsive services requires added dimension and resolve. Our accomplishments are made possible by our greatest resource, our officials and employees who provide dedication and diligence as we execute our statutorial duties. As we begin our 95th year of service to our traveling public, our mission focus has shifted from expansion to attempting to meet increasing motorist needs.

Spiraling construction costs required us to re-evaluate program aggressiveness, especially those involving steel and petroleum based components. The importance of our local partnerships was underscored with many opportunities to maintain and improve our infrastructure. These partnerships were most evident with the completion of the much needed 24th Street reconstruction project. The importance of our annual County appropriation once again was evident with \$3.58 in local road services for each \$1.00 invested. This program resulted in the following achievements: 103,000 tons of aggregate patching undertaken, 10 miles of roadside ditching completed, 2.7 million gallons of dust retardant applied and 40 culverts replaced.

We continued dialogue on the need for an additional north/south rail crossing in Kimball and Port Huron Townships. We will press for additional federal revenue to make construction a reality. We are undertaking expedited construction planning for the 2009 replacement of the Wadhams Road Bridge over the Black River.

As we continue to meet growing motorist needs, new approaches to conducting business will need to be pursued. Increasing wage and benefit levels, external product price increases, and local revenue constraints are outpacing transportation fund growth.

## **Factors Affecting Financial Condition**

The majority of resources provided to the Commission are generated locally and redistributed by the State of Michigan through the Michigan Transportation Fund (MTF). This fund is comprised of revenues from the state 19¢ per gallon gas tax, 15¢ per gallon diesel tax, vehicle registrations and driver license fees, and



carrier taxes. Following a series of intergovernmental grant deductions approximating 13% of collections, the Commission receives its statutory share of the fund equaling 1.67%<sup>1</sup> of the county share of funds. While the MTF appears stable, revenues may be affected by variances in intergovernmental grants and/or variances in fuel usages.

The Commission also maintains close working partnerships with the 23 township boards in the county. A variety of matching programs designed to raise the level of local road system expenditures for improvement and routine maintenance efforts provided in approximately \$4.5 million during 2006. One source of these matching funds is state distributed revenue sharing. While the decrease of revenue sharing back to local units of government was somewhat limited this year, continued long term financial stress at the state level could result in ultimate reductions in resource allocation to an increasingly important local road system.

### **Financial Information**

Management of the Road Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Road Commission are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that; (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the Road Commission is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

In addition, the Road Commission maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Road Commission's Board. Activities of the operating fund are included in the annual appropriated budget. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the activity level.

### **Cash Management Policies and Practices**

The St. Clair County Treasurer provides investment services for the Road Commission. Cash temporarily idle during the year was invested in investment pools offered by commercial banks. The government earned interest revenue of \$143,585 on all investments for the year ended December 31, 2006.

### **Risk Management**

The Road Commission continues to be a leader in this area participating in State pools for property, liability and workers' compensation insurance. As part of this comprehensive plan, resources are being accumulated to meet potential losses.

<sup>1</sup> Per MDOT REPORT NO. 139, Jun 17, 2003

In addition, various control techniques, including employee accident prevention training, have been implemented during the prior years to minimize accident-related losses. Third-party coverage is also maintained for claims in excess of set amounts and all other potential losses. In order to further reduce the risk of effecting available funds for future road projects the Board of County Road Commissioners has designated \$200,000 to cover the deductibles on liability claims.

### **Independent Audit**

State statutes require an annual audit by independent certified public accountants. The Road Commission selected the firm Stewart, Beauvais & Whipple, PC CPAs. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's *Government Auditing Standards*. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Road Commission for the year ended December 31, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Road Commission's financial statements for the year ended December 31, 2006 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The auditor's report on the financial statements and schedules is included in the financial section of this report.

### **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the St. Clair County Road Commission for its Comprehensive Annual financial Report (CAFR) for the year ended December 31, 2005. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. This is the seventh consecutive year the Road Commission received this prestigious award.

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the financial and administration department. We would especially like to express our appreciation to the accounting department, who assisted and contributed to the preparation of this report. Due credit also should be given to the Board of Road Commissioners for their interest and support in planning and conducting the operations of the Road Commission in a responsible and progressive manner.

Respectfully submitted,



Donald M. Maronde  
Managing Director

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**LIST OF PRINCIPAL OFFICIALS**

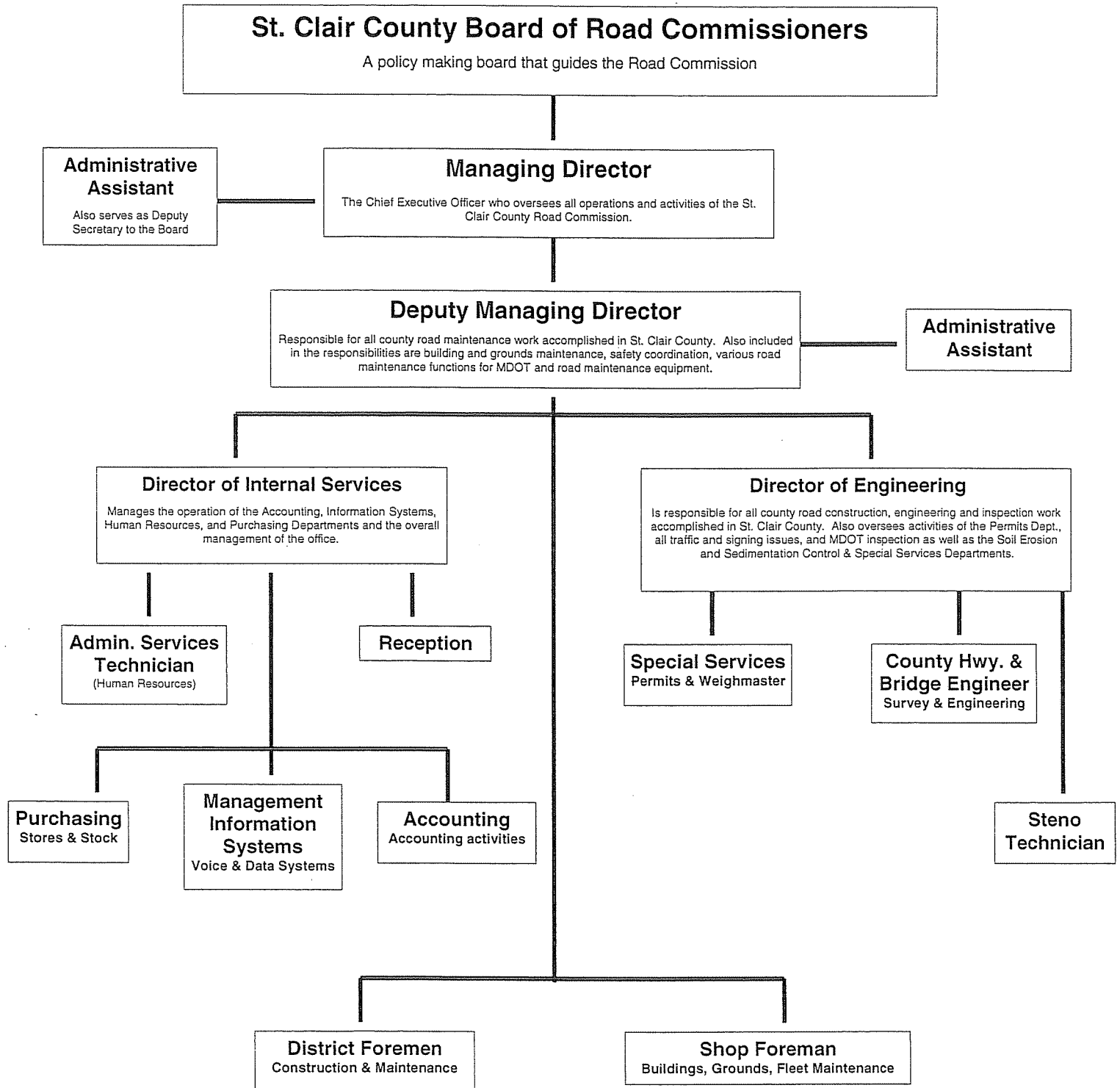
Board of County Road Commissions (3 members appointed to 6 year staggered terms by St. Clair County, Michigan Board of Commissioners):

|                         |                                    |
|-------------------------|------------------------------------|
| <i>Chairperson</i>      | <i>Timothy J. LaLonde (2009)</i>   |
| <i>Vice Chairperson</i> | <i>William L. Blumerich (2010)</i> |
| <i>Member</i>           | <i>Kenneth C. Foester (2006)</i>   |

Other principal officials (2006):

|  |                          |
|--|--------------------------|
| <i>Managing Director/<br/>Secretary of the Board</i> | <i>Donald M. Maronde</i> |
| <i>Deputy Managing Director</i>                      | <i>Kirk Weston</i>       |
| <i>Deputy Secretary of the Board</i>                 | <i>Sandra Clark</i>      |
| <i>Director of Internal Services</i>                 | <i>Greg A. Owens</i>     |
| <i>Director of Engineering</i>                       | <i>James R. Warner</i>   |
| <i>County Highway and<br/>Bridge Engineer</i>        | <i>Michael J. Clark</i>  |

# St. Clair County Road Commission Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Clair County  
Road Commission, Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

## **SECTION TWO: FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Board of County Road Commissioners  
of St. Clair County  
St. Clair, Michigan

We have audited the accompanying basic financial statements of the Road Commission of St. Clair County, Michigan, a component unit of St. Clair County, Michigan, as of December 31, 2006, and for the year then ended. These financial statements are the responsibility of the Road Commission management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Road Commission of St. Clair County, Michigan, as of December 31, 2006, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 25, 2007, on our consideration of the Road Commission of St. Clair County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the St. Clair County Road Commission. The schedules and tables on pages 28-50 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Road Commission of St. Clair County, Michigan. Such information, except for the portion marked "Unaudited" on which we express no opinion has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

April 25, 2007



# ST. CLAIR COUNTY ROAD COMMISSION

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the St. Clair County Road Commission (the "Road Commission"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Road Commission for the year ended December 31, 2006. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to provide a basis of understanding of the St. Clair County Road Commission's basic statements. These basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. Supplementary financial information and statistical tables are also provided for additional information purposes.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Road Commission finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Road Commission assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Road Commission is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

### Fund Financial Statements

Unlike the government-wide financial statements, governmental financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Road Commission's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Road Commission's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the government-wide financial statements.

The St. Clair County Road Commission adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-27 of this report.

## FINANCIAL HIGHLIGHTS

### Government-Wide Financial Analysis

#### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The net assets are separated into two major components, investment in capital assets net of debt and unrestricted net assets, which may be used to meet the ongoing obligations to citizens and creditors. The Road Commission's combined net assets increased 5% from a year ago.

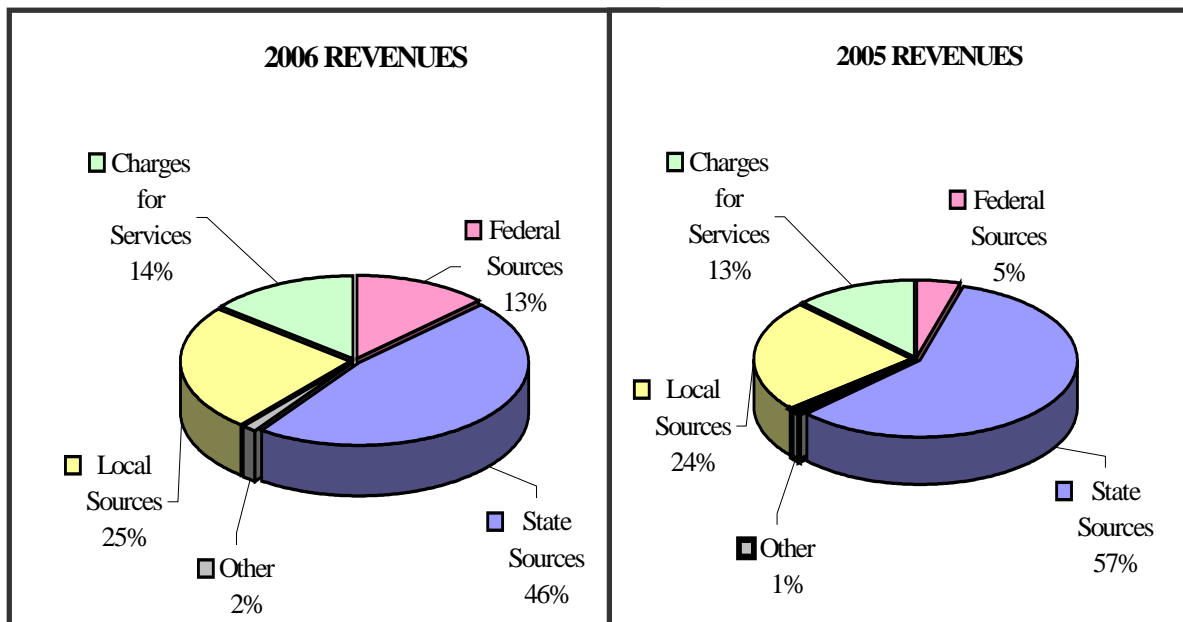
The table below shows a comparison of the net assets (in thousands of dollars) as of December 31, 2006 and 2005 in a condensed format.

|  | <u>2006</u>         | <u>2005</u>         |
|--|---------------------|---------------------|
| Current and other unrestricted assets  | \$ 7,410.7          | \$ 7,676.0          |
| Capital assets                         | <u>113,742.1</u>    | <u>109,094.2</u>    |
| Total Assets                           | <u>121,152.8</u>    | <u>116,770.2</u>    |
| Long-term liabilities                  | (5,342.9)           | (5,965.9)           |
| Other liabilities                      | <u>(1,696.8)</u>    | <u>(1,983.8)</u>    |
| Total Liabilities                      | <u>(7,039.7)</u>    | <u>(7,949.7)</u>    |
| Net Assets                             |                     |                     |
| Invested in capital assets-net of debt | 108,757.2           | 103,484.2           |
| Unrestricted                           | <u>5,355.9</u>      | <u>5,336.3</u>      |
| Total Net Assets                       | <u>\$ 114,113.1</u> | <u>\$ 108,820.5</u> |

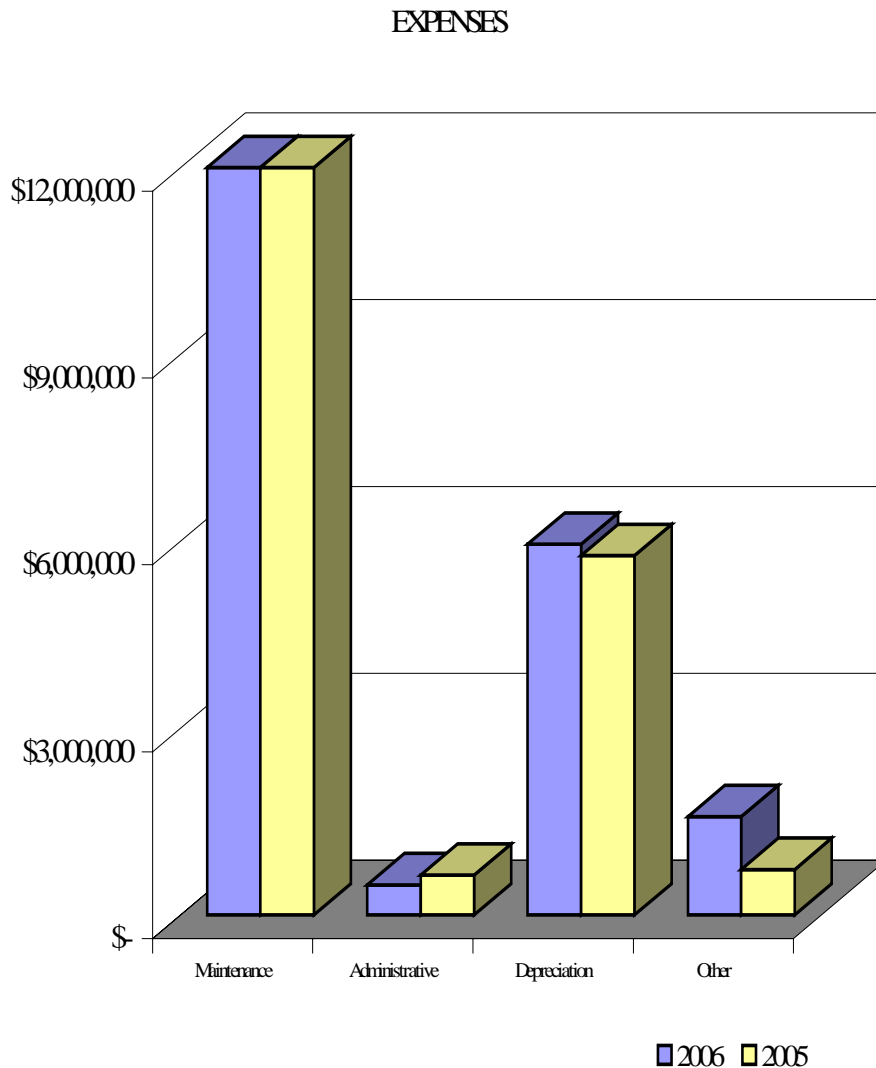
## Statement of Activities

The following schedule compares the revenues and expenses (in thousands of dollars) for the current and previous fiscal years.

|                                       | 2006                | 2005                |
|---------------------------------------|---------------------|---------------------|
| <b>Revenues</b>                       |                     |                     |
| Federal sources                       | \$ 3,277.3          | \$ 1,446.7          |
| State sources                         | 11,980.7            | 18,735.1            |
| Local sources                         | 6,314.2             | 7,543.2             |
| Charges for services                  | 3,613.7             | 4,018.5             |
| Other                                 | 392.8               | 345.3               |
| <b>Total Revenues</b>                 | <b>25,578.7</b>     | <b>32,088.8</b>     |
| <b>Expenses</b>                       |                     |                     |
| Maintenance                           | 12,273.9            | 12,741.7            |
| Administrative                        | 483.4               | 641.4               |
| Depreciation                          | 5,952.6             | 5,767.6             |
| Other                                 | 1,576.2             | 731.2               |
| <b>Total Expenses</b>                 | <b>20,286.1</b>     | <b>19,881.9</b>     |
| <b>Change in Net Assets</b>           | <b>5,292.6</b>      | <b>12,206.9</b>     |
| <b>Net Assets - Beginning of Year</b> | <b>108,820.5</b>    | <b>96,613.6</b>     |
| <b>Net Assets - End of Year</b>       | <b>\$ 114,113.1</b> | <b>\$ 108,820.5</b> |



As shown in the preceding table comparing 2006 and 2005 Statement of Activities amounts, total revenue decreased by \$6,510 thousand or 20% due to the transfer of M-21 from the State of Michigan to the County project being complete in 2005.



Total expenses remained fairly consistent between the years. An increase in both maintenance and depreciation expenses were the most significant changes between the types of expenditures.

### Government Funds Financial Analysis

As noted earlier, the focus of the fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Road Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Road Commission reported an ending fund balance of \$5,679,996, an increase of \$29,288 from the prior year. Approximately 94% or \$5,361,865 of the fund balance constitutes unreserved fund balance, which is available for spending at the government's discretion; however, \$1,425,526 is designated as the local share of special projects, and \$200,000 is designated for contingencies, leaving \$3,736,339 undesignated and unreserved at the end of 2006.

### BUDGETARY HIGHLIGHTS

The total difference between the original budget and the final amended budget was an increase in appropriations of approximately \$756,000. Detail of the original budget, amended budget, and actual amounts may be seen on page 11 of the financial section.

Some of the larger appropriation variances from original to final budget are described below:

- Local construction appropriations increased by \$767 thousand due to an end of the year entry to record subdivision roads accepted into the County's road system where private companies performed the work; this entry also increased the local sources revenue by the same amount.
- The primary preservation budgeted expenditures decreased \$811 thousand from original levels due to a bridge replacement project delayed for 2006 and budgeted for completion in 2007; local preservation budgeted expenditures decreased \$617 thousand from original levels due to the delay of a 2006 bridge replacement project.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – As of year end, the Road Commission had \$113,742,108 invested in capital assets (net of accumulated depreciation) as reflected in the following schedule, representing an increase of over 4% or \$4,647,924.

|                          | <u>2006</u>           | <u>2005</u>           |
|--------------------------|-----------------------|-----------------------|
| Land                     | \$ 65,629             | \$ 65,629             |
| Land Improvements        | 235,356               | 235,356               |
| Buildings & Improvements | 2,021,822             | 2,118,491             |
| Equipment                | 1,889,784             | 2,422,595             |
| Depletable Assets        | 117,113               | 117,113               |
| Infrastructure           | <u>109,412,404</u>    | <u>104,135,000</u>    |
| Total                    | <u>\$ 113,742,108</u> | <u>\$ 109,094,184</u> |

Major capital asset events during the current fiscal year included the following:

- Reconstruction of 1.78 miles of 24<sup>th</sup> Street
- Installing traffic signals at Dove Road, and King Road
- Replacement of bridges at Pine River and Capac
- Resurfacing of 1.02 miles of Michigan Road
- Various equipment purchases the most significant being a tandem axle dump truck, truck cab and chassis, and a platform lift

Additional information on the Road Commission's capital assets may be found in Note 8 to the financial statements.

**Long-Term Liabilities** – At the end of the current year, the Road Commission had total bond and note debt outstanding of \$ 4,985,000. The debt is backed by the full faith and credit of St. Clair County. Additional information on the Road Commission's long-term liabilities may be found in Note 11 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Road Commission will be pursuing new approaches to conducting business in the future due to increasing internal costs, external product price increases and local revenue constraints which are outpacing our declining transportation funding from the state. Long-term state fiscal crises could affect local township transportation governmental agencies ability to respond to ever-increasing public demand for routine maintenance services, limit their participation in cost sharing programs currently in effect, and may also extend to reduction or elimination of an annual county appropriation for local road services.

Our 2007 budget is programmed for across the board, reduced revenues and expenditures compared to 2006 budgeted levels. It is anticipated that our fund equity will decrease by \$1,212,000 by the end of 2007 mainly due to completion of 2006 designated fund projects.

## **CONTACTING THE ST. CLAIR COUNTY ROAD COMMISSION'S MANAGEMENT**

This financial report is designed to provide a general overview of the Road Commission's finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Road Commission, 21 Airport Drive, St. Clair, Michigan 48079.

## **BASIC FINANCIAL STATEMENTS**

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2006**

|   | Governmental<br>Fund | Adjustments<br>(Note 2) | Statement of<br>Net Assets |
|---|----------------------|-------------------------|----------------------------|
| ASSETS  |                      |                         |                            |
| Cash and cash equivalents                       | \$ 2,198,770         | \$ -                    | \$ 2,198,770               |
| Due from other governmental units -             |                      |                         |                            |
| State   | 2,014,229            | -                       | 2,014,229                  |
| Local   | 1,294,472            | -                       | 1,294,472                  |
| Due from other component units                  | 49,248               | -                       | 49,248                     |
| Accounts receivable                             | 14,677               | -                       | 14,677                     |
| Prepaid items                                   | 318,131              | -                       | 318,131                    |
| Inventory                                       | 1,490,644            | -                       | 1,490,644                  |
| Deposit-Health Insurance                        | 30,436               | -                       | 30,436                     |
| Capital assets, net of accumulated depreciation |                      |                         |                            |
| Assets being depreciated                        | -                    | 80,771,163              | 80,771,163                 |
| Assets not being depreciated                    | -                    | 32,970,945              | 32,970,945                 |
| Total Assets                                    | <u>\$ 7,410,607</u>  | <u>\$ 113,742,108</u>   | <u>\$ 121,152,715</u>      |

**LIABILITIES AND FUND EQUITY**

**Liabilities:**

|                                 |                  |                  |                  |
|---------------------------------|------------------|------------------|------------------|
| Accounts payable                | \$ 331,035       | \$ -             | \$ 331,035       |
| Accrued liabilities             | 264,631          | -                | 264,631          |
| Accrued interest payable        | -                | 93,810           | 93,810           |
| Due to primary government       | 46,682           | -                | 46,682           |
| Due to other governmental units | 12,158           | -                | 12,158           |
| Advances and deposits           | 948,447          | -                | 948,447          |
| Deferred revenue                | 82,158           | ( 82,158)        | -                |
| Noncurrent Liabilities:         |                  |                  |                  |
| Due within one year             | 45,500           | 894,000          | 939,500          |
| Due in more than one year       | -                | 4,403,400        | 4,403,400        |
| Total Liabilities               | <u>1,730,611</u> | <u>5,309,052</u> | <u>7,039,663</u> |

**Fund Balance:**

|                                    |                            |                     |          |
|------------------------------------|----------------------------|---------------------|----------|
| Fund Balance -                     |                            |                     |          |
| Reserved -                         |                            |                     |          |
| Prepaid items                      | 318,131                    | ( 318,131)          | -        |
| Unreserved -                       |                            |                     |          |
| Designated                         | 1,625,525                  | ( 1,625,525)        | -        |
| Undesignated                       | 3,736,340                  | ( 3,736,340)        | -        |
| Total Fund Balance                 | <u>5,679,996</u>           | <u>( 5,679,996)</u> | <u>-</u> |
| Total Liabilities and Fund Balance | <u><u>\$ 7,410,607</u></u> |                     |          |

**Net Assets:**

|   |                              |                              |
|---|------------------------------|------------------------------|
| Invested in capital assets, net of related debt | 108,757,108                  | 108,757,108                  |
| Unrestricted                                    | 5,355,944                    | 5,355,944                    |
| Total Net Assets                                | <u><u>\$ 114,113,052</u></u> | <u><u>\$ 114,113,052</u></u> |

See Notes to Financial Statements



**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

|  | Governmental<br>Fund       | Adjustments<br>(Note 2)      | Statement of<br>Activities   |
|--|----------------------------|------------------------------|------------------------------|
| <b>Revenues:</b>                               |                            |                              |                              |
| Permits  | \$ 146,081                 | \$ -                         | \$ 146,081                   |
| Intergovernmental -                            |                            |                              |                              |
| Federal sources                                | 3,277,338                  | -                            | 3,277,338                    |
| State sources                                  | 11,980,697                 | -                            | 11,980,697                   |
| Local sources                                  | 6,330,638                  | ( 16,431)                    | 6,314,207                    |
| Charges for services                           | 3,613,697                  | -                            | 3,613,697                    |
| Interest and rents                             | 143,585                    | -                            | 143,585                      |
| Other  | 103,064                    | -                            | 103,064                      |
| Total Revenues                                 | <u>25,595,100</u>          | <u>( 16,431)</u>             | <u>25,578,669</u>            |
| <b>Expenditures/Expenses:</b>                  |                            |                              |                              |
| Current -                                      |                            |                              |                              |
| Local construction/capacity improvements       | 766,650                    | ( 766,650)                   | -                            |
| Primary preservation - structural improvements | 6,872,641                  | ( 6,872,641)                 | -                            |
| Local preservation - structural improvements   | 2,565,902                  | ( 2,565,902)                 | -                            |
| Primary maintenance                            | 3,307,209                  | ( 34,637)                    | 3,272,572                    |
| Local maintenance                              | 5,498,045                  | ( 7,937)                     | 5,490,108                    |
| State maintenance                              | 3,511,170                  | -                            | 3,511,170                    |
| Administrative                                 | 518,274                    | ( 34,920)                    | 483,354                      |
| Equipment operations                           | 3,483,033                  | ( 945,366)                   | 2,537,667                    |
| Less equipment rental                          |                            |                              |                              |
| charged to other activities                    | ( 2,791,820)               | -                            | ( 2,791,820)                 |
| Depreciation                                   | -                          | 5,952,649                    | 5,952,649                    |
| Other  | 1,588,312                  | -                            | 1,588,312                    |
| Capital Outlay                                 | 368,935                    | ( 368,935)                   | -                            |
| Less: depreciation credit                      |                            |                              |                              |
| and retirements                                | ( 998,415)                 | 998,415                      | -                            |
| Debt Service -                                 |                            |                              |                              |
| Principal                                      | 625,000                    | ( 625,000)                   | -                            |
| Interest                                       | 250,876                    | ( 8,816)                     | 242,060                      |
| Total Expenditures/Expenses                    | <u>25,565,812</u>          | <u>( 5,279,740)</u>          | <u>20,286,072</u>            |
| Excess of revenues over expenditures/expenses  | 29,288                     | 5,263,309                    | 5,292,597                    |
| Fund Balance/Net Assets at January 1, 2006     | <u>5,650,708</u>           | <u>103,169,747</u>           | <u>108,820,455</u>           |
| Fund Balance/Net Assets at December 31, 2006   | <u><u>\$ 5,679,996</u></u> | <u><u>\$ 108,433,056</u></u> | <u><u>\$ 114,113,052</u></u> |

See Notes to Financial Statements

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2006**

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Amended Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
| <b>Revenues:</b>                                     |                     |                     |                     |   |
| Permits  | \$ 155,000          | \$ 155,000          | \$ 146,081          | \$( 8,919)  |
| Intergovernmental -                                  |                     |                     |                     |   |
| Federal sources                                      | 4,456,109           | 3,689,760           | 3,277,338           | ( 412,422)  |
| State sources  | 11,547,000          | 10,961,000          | 11,980,697          | 1,019,697   |
| Local sources  | 3,250,943           | 4,099,223           | 6,330,638           | 2,231,415   |
| Charges for services                                 | 3,220,000           | 3,220,000           | 3,613,697           | 393,697   |
| Interest and rents                                   | 50,000              | 50,000              | 143,585             | 93,585  |
| Other  | 135,000             | 135,000             | 103,064             | ( 31,936)   |
| Total Revenues                                       | <u>22,814,052</u>   | <u>22,309,983</u>   | <u>25,595,100</u>   | <u>3,285,117</u>  |
| <b>Expenditures:</b>                                 |                     |                     |                     |   |
| Current -  |                     |                     |                     |   |
| Local construction/capacity<br>improvements          | -                   | 766,650             | 766,650             | -   |
| Primary preservation - structural<br>improvements    | 7,684,250           | 6,873,024           | 6,872,641           | 383   |
| Local preservation - structural<br>improvements      | 3,183,705           | 2,565,948           | 2,565,902           | 46  |
| Primary maintenance                                  | 4,377,482           | 3,682,672           | 3,307,209           | 375,463   |
| Local maintenance                                    | 3,397,425           | 4,078,882           | 5,498,045           | ( 1,419,163)  |
| State maintenance                                    | 3,220,000           | 3,520,000           | 3,511,170           | 8,830   |
| Administrative                                       | 779,000             | 701,100             | 518,274             | 182,826   |
| Equipment operation                                  | 3,350,000           | 3,350,000           | 3,483,033           | ( 133,033)  |
| Less equipment rental<br>charged to other activities | ( 3,500,000)        | ( 3,500,000)        | ( 2,791,820)        | ( 708,180)  |
| Other  | 625,000             | 815,530             | 1,588,312           | ( 772,782)  |
| Capital Outlay - net                                 | ( 139,000)          | ( 628,686)          | ( 629,480)          | 794   |
| Debt Service   | 879,333             | 875,901             | 875,876             | 25  |
| Total Expenditures                                   | <u>23,857,195</u>   | <u>23,101,021</u>   | <u>25,565,812</u>   | <u>( 2,464,791)</u>                                       |
| Excess of revenues over (under) expenditures         | ( 1,043,143)        | ( 791,038)          | 29,288              | 820,326   |
| Fund Balance at January 1, 2006                      | <u>4,627,850</u>    | <u>5,650,708</u>    | <u>5,650,708</u>    | <u>-</u>  |
| Fund Balance at December 31, 2006                    | <u>\$ 3,584,707</u> | <u>\$ 4,859,670</u> | <u>\$ 5,679,996</u> | <u>\$ 820,326</u>   |

See Notes to Financial Statements

## **NOTES TO FINANCIAL STATEMENTS**

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the St. Clair County Road Commission, a component unit of the County of St. Clair, Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The more significant accounting policies are described as follows:

**A. Description of Road Commission Operations –**

The St. Clair County Road Fund, referred to as the Road Commission, is a Component Unit of the County of St. Clair, Michigan, and is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal awards, reimbursements from the Department of State Highways for work performed by the County on State trunklines and contributions from other local units of government (townships) for work performed by the Road Commission work force. The Road Fund is the only fund of the Road Commission.

The Road Commission which is established pursuant to the County Road Law (MCL224.1) operates under a Board appointed by the County Board of Commissioners, of three (3) County Road Commissioners who establish policies and review operations of the Road Commission. The Road Commission provides services to twenty-three (23) Townships in St. Clair County and maintains over 1,800 miles of state, local and primary roads.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation –**

The government-wide financial statement columns (i.e., statement of net assets and statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the year. The major revenue sources that are susceptible to accrual are motor vehicle highway funds and township contributions. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**C. Assets, Liabilities, and Fund Balance or Net Assets –**

**Cash and Cash Equivalents** – The Road Commission's cash and cash equivalents are cash on hand, demand deposits and pooled investment funds which are recorded at cost, which approximates fair value.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Inventories** – Inventories of road materials and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are stated at the lower of average cost or market.

**Prepaid Items** – Certain payments to vendors (particularly for insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid items.

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure are reported in the government-wide (statement of net assets) financial statements. Capital assets for land, buildings and improvements and all equipment except road equipment are defined by the Road Commission as assets with a purchase price greater than \$1,000 and an estimated useful life in excess of 1 year. Road equipment is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are recorded in the governmental fund statements as capital expenditures at the time of purchase.

Depreciation is computed on the sum-of-the-years digits method for road equipment, and straight-line method for all other capital assets over the estimated useful life of the related asset.

The estimated useful lives are as follows:

|                            |             |
|----------------------------|-------------|
| Buildings and Improvements | 20-50 years |
| Equipment                  | 4-20 years  |
| Roads                      | 8-30 years  |
| Bridges                    | 25-50 years |
| Traffic Signals            | 15 years    |

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals, which are required to be reported despite the date of purchase. Roads are removed from the capital assets at the time the group of individually recorded roads have been fully depreciated.

Depletion is calculated as the amount of prorated cost or other indicated value assigned to the extracted portion of a natural resource (gravel).

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation and depletion in the governmental fund statements as a charge to various expenditures accounts, and a credit to a depreciation/depletion credit account. Accordingly, the annual depreciation/depletion expenditures do not affect the available operating equity of the governmental fund statements.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Accrued Vacation and Sick Pay** – In accordance with contracts negotiated with the various employee groups, individual employees have a vested right upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. All amounts vested are accrued in the government-wide statements (statement of net assets).

**Deferred Revenues** – In both the government-wide and the fund financial statements revenue received or recorded before earned is recorded as deferred revenue. In addition, in the governmental fund statements revenues that are not both measurable and available are recorded as deferred revenues.

**Advances From The State of Michigan** – The State of Michigan advances funds on a State maintenance agreement it has with the St. Clair County Road Commission for specified maintenance, which the Road Commission will perform during the year, and for equipment purchased and used in performance of the specified maintenance. These advances are considered current liabilities because they are subject to repayment annually upon audit by the State of Michigan.

**Equipment Rentals** – The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities. The effect of this allocation is offset to equipment expenditures/expenses.

**Long-Term Obligations** – In the government-wide financial statements (statement of net assets), long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. As permitted by GASB Statement No. 34, the Road Commission has elected to apply the provisions related to bond premiums discounts, and issuance costs on a prospective basis.

**Fund Equity** – Designation of fund balance represents tentative management plans that are subject to change.

**Estimates** - In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

- A.** Explanation of differences between the governmental fund statement and the government-wide statement of net assets (Page 9).

|   |                       |
|---|-----------------------|
| Fund Balance – governmental fund  | \$ 5,679,996          |
| Capital assets used in the governmental fund activities that are not financial resources and therefore not reported in the governmental fund financial statements |                       |
| Add – capital assets  | 168,898,757           |
| Deduct – accumulated depreciation   | ( 55,156,649)         |
| Long-term liabilities that are not due in the current period therefore not reported in the governmental fund statements   | ( 5,297,400)          |
| Accrued interest payable on long-term liabilities not reported in the governmental fund statements  | ( 93,810)             |
| Revenues that have been deferred in the governmental fund statements because they are not “available”   | <u>52,158</u>         |
| Net Assets  | <u>\$ 114,113,052</u> |

- B.** Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities (Page 10).

|  |              |
|--|--------------|
| Excess of revenues under expenditures - governmental fund statement  | \$ 29,288    |
| The governmental fund statements report capital outlay as expenditures, however, in the government-wide Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense |              |
| Add – capital outlay and infrastructure  | 10,600,829   |
| Deduct – retirements   | ( 256)       |
| Deduct – depreciation  | ( 5,952,649) |
| Revenues are deferred in the governmental fund statements because they do not provide current financial resources that are reported in the government-wide Statement of Activities   | ( 16,431)    |

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (cont’d):**

|   |                     |
|---|---------------------|
| Principal payments on long-term liabilities are reported as an expenditure in the governmental fund statements, but not in the government-wide Statement of Activities (where it reduces the long-term liability) | \$ 625,000          |
| Interest expense adjustment for accrual reported in the government-wide Statement of Activities when the liability is incurred and reported in the governmental fund statements only when payment is due          | 8,816               |
| Some expenses reported in the government-wide Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund               |                     |
| Add - Decrease in accrued sick and vacation   | ( 2,000)            |
| Change in Net Assets  | <u>\$ 5,292,597</u> |

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**Auditing and Reporting –**

The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States as described in the Independent Auditor's Report, but, also with the standards as provided in Act No. 71 of Public Acts of 1919, Section 21.41 of the Michigan Compiled Laws.

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as described in the Independent Auditor's Report, but also with applicable rules of the Michigan State Department of Transportation.

**Budgetary Compliance –**

The Director of Internal Services prepares from data submitted by the administrative staff a proposed operating budget for the calendar year commencing January 1. The operating budget includes proposed expenditures and resources to finance them.

The budget for the General Operating Fund is adopted on the modified accrual basis, which is consistent with accounting principles generally accepted in the United States of America.



**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont’d):**

Prior to May 1, the proposed budget is presented to the Board of County Road Commissioners. The Board holds a public hearing in October or November and may add to, subtract from, or change appropriations. The budget is then legally enacted through passage of a Board of County Road Commissioner’s Resolution. The budget is approved at the activity level by the Board of County Road Commissioners.

Expenditures may not exceed appropriations at the activity level. The managing director has been granted the authority by the Board of County Road Commissioners to amend the budget up to 10% of the activity amount. Budgetary control is exercised at the activity level. Individual amendments were material in relation to the original appropriation.

The Road Commission does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated at the legally adopted level and has not provided authority to amend the budget after year end. During the year ended December 31, 2004, the Road Commission had 4 over-expenditures as reported on the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

**NOTE 4 - DEPOSITS AND INVESTMENTS:**

As of December 31, 2006, the carrying amount of deposits and investments is as follows:

|   |                     |
|---|---------------------|
| Cash on Hand                            |                     |
| Petty Cash                              | \$ 250              |
| Deposits with Financial Institutions    |                     |
| Imprest Checking                        | 5,500               |
| Checking maintained by County Treasurer | 1,548,649           |
| Savings Maintained by County Treasurer  | <u>644,371</u>      |
|   | <u>\$ 2,198,770</u> |

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Road Commission. All Road Commission receipts are deposited with the St. Clair County Treasurer’s Office, and in order to make disbursements, the St. Clair County Road Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. The investing of cash is performed by the County Treasurer.

**Deposits –**

As a component unit of St. Clair County, all Road Commission cash and cash equivalents are a part of the accounts maintained by St. Clair County at banking institutions insured by federal depository insurance. However, the Road Commission by state statute has funds allocated to it by the State of Michigan for its exclusive use and control. As a result, funds of the Road Commission have separate insurance coverage.

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**NOTE 4 – DEPOSITS AND INVESTMENTS – (cont’d):**

***Custodial Credit Risk – Deposits*** – is the risk that in the event of a bank failure, the Road Commission’s deposits may not be returned to it. Michigan Public Acts authorize Road Commissions to deposit into the accounts of federally insured banks, insured credit unions, and savings and loan associations with an office in Michigan. The Road Commission is in compliance with its investment policy in regards to custodial credit risk.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

The Road Commission’s deposits consist of demand and savings accounts. At December 31, 2006, the carrying amount of the Road Commission’s deposits is \$2,198,520, and the bank balance is \$2,900,160, of which \$204,000 is FDIC insured, with the remaining balance exposed to credit risk since it is uninsured and uncollateralized.

The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk. The County uses only those financial institutions with an acceptable estimated risk level as depositories.

**NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS:**

Due from other government units as of December 31, 2006 consists of the following:

|                                   |                     |
|-----------------------------------|---------------------|
| State –                           |                     |
| Motor Vehicle Highway Funds       | \$ 1,628,627        |
| Trunkline Maintenance             | 338,692             |
| Transportation Department – Other | <u>46,910</u>       |
|                                   | <u>2,014,229</u>    |
| Local –                           |                     |
| Township road agreements          | 927,276             |
| Others                            | <u>367,196</u>      |
|                                   | <u>1,294,472</u>    |
|                                   | <u>\$ 3,308,701</u> |

The governmental fund statements report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Both the government-wide and governmental fund statements defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current year deferred revenue in the governmental fund consisted of other township receivables in the amount of \$82,158 that are considered to be unavailable at December 31, 2006.

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**NOTE 6 - COMPONENT UNIT RECEIVABLE BALANCE:**

The receivable balance described as Due From Other Component Units on the Balance Sheet/Statement of Net Assets reflects amounts owed the Road Commission by other component units of St. Clair County. These amounts represent short-term obligations on open accounts for office rental, office maintenance, labor, fringe benefits, etc. and not current portions of long-term loans. The following is a summary of the Due From Other Component Units balance at December 31, 2006:

|   | <u>Amount</u>    |
|---|------------------|
| <u>St. Clair County Component Units -</u> |                  |
| Department of Public Works -              |                  |
| Revolving                                 | \$ 13,402        |
| Waste Water Treatment Plant               | 22,577           |
| Utility Operation & Maintenance Receiving | 6,400            |
| Drain Commission                          | 6,765            |
| Airport                                   | <u>104</u>       |
|   | <u>\$ 49,248</u> |

**NOTE 7 – INVENTORIES:**

The inventory balance of \$1,490,644 at December 31, 2006 consisted of \$802,912 of road materials and \$687,732 of equipment parts and materials.

**NOTE 8 – CAPITAL ASSETS:**

Capital assets activity for the current year was as follows:

|   | Balance<br>January 1,<br>2006 | Additions        | Deletions      | Adjustments/<br>Removals | Balance<br>December 31,<br>2006 |
|---|-------------------------------|------------------|----------------|--------------------------|---------------------------------|
| Capital Assets, not being depreciated –     |                               |                  |                |                          |                                 |
| Land  | \$ 65,629                     | \$ -             | \$ -           | \$ -                     | \$ 65,629                       |
| Land improvements                           | 30,306,271                    | 1,415,012        | -              | -                        | 31,721,283                      |
| Right of Ways                               | <u>1,184,033</u>              | <u>-</u>         | <u>-</u>       | <u>-</u>                 | <u>1,184,033</u>                |
| Total Capital Assets, not being depreciated | <u>31,555,933</u>             | <u>1,415,012</u> | <u>-</u>       | <u>-</u>                 | <u>32,970,945</u>               |
| Capital Assets, being depreciated –         |                               |                  |                |                          |                                 |
| Buildings and improvements                  | 4,463,387                     | 1,000            | -              | -                        | 4,464,387                       |
| Road Equipment                              | 10,797,040                    | 338,005          | 238,637        | -                        | 10,896,408                      |
| Shop Equipment                              | 659,882                       | 6,108            | 1,654          | -                        | 664,336                         |
| Office Equipment                            | 269,816                       | 10,023           | -              | -                        | 279,839                         |
| Engineering equipment                       | 263,677                       | 13,799           | -              | -                        | 277,476                         |
| Infrastructure –                            |                               |                  |                |                          |                                 |
| Roads                                       | 83,628,972                    | 6,261,649        | -              | ( 763,742)               | 89,126,879                      |
| Bridges                                     | 27,114,302                    | 2,528,533        | -              | -                        | 29,642,835                      |
| Traffic signals                             | 385,497                       | 26,700           | -              | -                        | 412,197                         |
| Depletable assets –                         |                               |                  |                |                          |                                 |
| Gravel pits                                 | <u>163,455</u>                | <u>-</u>         | <u>-</u>       | <u>-</u>                 | <u>163,455</u>                  |
|   | <u>127,746,028</u>            | <u>9,185,817</u> | <u>240,291</u> | <u>( 763,742)</u>        | <u>135,927,812</u>              |

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**NOTE 8 – CAPITAL ASSETS – (cont'd):**

|   | Balance<br>January 1,<br>2006 | Additions               | Deletions         | Adjustments/<br>Removals | Balance<br>December 31,<br>2006 |
|---|-------------------------------|-------------------------|-------------------|--------------------------|---------------------------------|
| Less – accumulated depreciation for –               |                               |                         |                   |                          |                                 |
| Buildings and improvements                          | \$ 2,109,540                  | \$ 97,669               | \$ -              | \$ -                     | 2,207,209                       |
| Road Equipment                                      | 8,698,799                     | 840,006                 | ( 238,381)        | -                        | 9,300,424                       |
| Shop Equipment                                      | 459,065                       | 18,364                  | ( 1,654)          | -                        | 475,775                         |
| Office Equipment                                    | 215,084                       | 24,502                  | -                 | -                        | 239,586                         |
| Engineering Equipment                               | 194,872                       | 17,618                  | -                 | -                        | 212,490                         |
| Infrastructure –                                    |                               |                         |                   |                          |                                 |
| Roads   | 27,285,343                    | 4,345,824               | -                 | ( 763,742)               | 30,867,425                      |
| Bridges   | 10,972,628                    | 588,273                 | -                 | -                        | 11,560,901                      |
| Traffic signals                                     | 226,104                       | 20,393                  | -                 | -                        | 246,497                         |
| Depletable Assets                                   | <u>46,342</u>                 | <u>-</u>                | <u>-</u>          | <u>-</u>                 | <u>46,342</u>                   |
|   | <u>50,207,777</u>             | <u>5,952,649</u>        | <u>240,035</u>    | <u>( 763,742)</u>        | <u>55,156,649</u>               |
| <br>Total Capital Assets, being depreciated,<br>net | <br><u>77,538,251</u>         | <br><u>3,233,168</u>    | <br><u>256</u>    | <br><u>-</u>             | <br><u>80,771,163</u>           |
| <br>Governmental activity capital assets,<br>net    | <br><u>\$109,094,184</u>      | <br><u>\$ 4,648,180</u> | <br><u>\$ 256</u> | <br><u>\$ -</u>          | <br><u>\$113,742,108</u>        |

Total depreciation for the year ended December 31, 2006 was \$5,952,649.

**NOTE 9 - FEDERAL AWARDS:**

It is required by the Michigan Department of Transportation (MDOT) that Road Commissions report total federal awards for Highway Research, Planning and Construction pertaining to their County. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended December 31, 2006, the Road Commission of St. Clair County had less than \$500,000 of force account expenditures applicable to federal awards (local force revenue). As a result, an audit for compliance under the Single Audit Act has not been performed.

The total federal revenues of \$3,277,338 represent the Department of Transportation Federal Highway grant money expended on public road improvement projects which were administered by the Michigan Department of Transportation, however, are required to be reported by the Road Commission.

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**NOTE 10 – ADVANCES AND DEPOSITS:**

Advances of \$948,447 at December 31, 2006, represent money advanced by the State of Michigan under the maintenance contract the Road Commission has with the State, money advanced by the State for equipment purchases, and advances from Townships, contractors and individuals for various projects. Both State advances are adjusted annually by the State and must be repaid if the maintenance contract is canceled. The following is a summary of the balance by source and use:

|                               |                   |
|-------------------------------|-------------------|
| State -                       |                   |
| Trunkline maintenance         | \$ 279,237        |
| Equipment                     | <u>559,516</u>    |
|                               | 838,753           |
| Local -                       |                   |
| Other Governmental Units -    |                   |
| Township advances             | 6,637             |
| Contractors and Individuals – |                   |
| Permits                       | <u>103,057</u>    |
|                               | <u>\$ 948,447</u> |

**NOTE 11 - LONG-TERM LIABILITIES:**

The following is a summary of the changes in long-term liabilities of the Road Commission for the year ended December 31, 2006:

|                             | Balance<br>January 1,<br>2006 | Additions         | Reductions          | Balance<br>December 31, 2006 | Due Within<br>One Year |
|-----------------------------|-------------------------------|-------------------|---------------------|------------------------------|------------------------|
| Bonds and Notes Payable:    |                               |                   |                     |                              |                        |
| MTF Bonds – Series 1999     | \$ 4,110,000                  | \$ -              | \$ 375,000          | \$ 3,735,000                 | \$ 390,000             |
| MTF Notes – Series 2001     | <u>1,500,000</u>              | <u>-</u>          | <u>250,000</u>      | <u>1,250,000</u>             | <u>250,000</u>         |
| Total Bonds & Notes Payable | <u>5,610,000</u>              | <u>-</u>          | <u>625,000</u>      | <u>4,985,000</u>             | <u>640,000</u>         |
| Other Liabilities –         |                               |                   |                     |                              |                        |
| Accrued sick & vacation     | 296,000                       | 446,000           | 444,000             | 298,000                      | 254,000                |
| Accrued claim liability     | <u>59,900</u>                 | <u>-</u>          | <u>-</u>            | <u>59,900</u>                | <u>45,500</u>          |
| Total Liabilities           | <u>355,900</u>                | <u>446,000</u>    | <u>444,000</u>      | <u>357,900</u>               | <u>299,500</u>         |
|                             | <u>\$ 5,965,900</u>           | <u>\$ 446,000</u> | <u>\$ 1,069,000</u> | <u>\$ 5,342,900</u>          | <u>\$ 939,500</u>      |

Significant details regarding outstanding long-term liabilities are presented below:

**MTF Bonds – Series 1999 –**

The County of St. Clair, Michigan issued \$6,000,000 of Michigan Transportation Fund Bonds, Series 1999, dated June 1, 1999 pursuant to the provision of Act 51, Public Acts of Michigan of 1951, as amended. The Bonds are issued in anticipation of and are payable from monies derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 51.

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**NOTE 11 - LONG-TERM LIABILITIES – (cont'd):**

As additional security for the payment of the principal of and interest on the Bonds, in the event and to the extent that Michigan Transportation Fund money is not sufficient to pay such principal and interest, the County is obligated to advance from its general fund money sufficient to pay such principal and interest. The County does not have the power to levy taxes to pay principal of and interest on the bonds over and above its authorized tax rate established pursuant to law. To the extent such an advance is made from the County's general fund, the general fund shall be reimbursed from the first subsequent revenues received by the Road Commission from Michigan Transportation Fund money not pledged or required to be set aside and used for the payment of bonds or notes of other evidence of indebtedness.

The Bonds maturing on or prior to August 1, 2009 shall not be subject to redemption prior to maturity. Bonds maturing on or after August 1, 2010 shall be subject to redemption prior to maturity at the option of the County, in such order as shall be determined by the County, on any one or more interest payment dates on or after August 1, 2009. Bonds of a denomination greater than \$50,000 may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. If less than all of the Bonds maturing in any year are to be redeemed, the bonds or portions of bonds to be redeemed shall be selected by lot. The redemption price shall be the par value of the bonds or portion of the bonds called to be redeemed plus interest to the date fixed for redemption.

Principal on the bonds is due on August 1, 2007 through 2014 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 4.375% to 4.95%.

**MTF Notes – Series 2001 –**

The County of St. Clair, Michigan issued \$2,500,000 of Michigan Transportation Fund Notes, Series 2001, dated August 21, 2001 pursuant to the provision of Act 202 Public Acts of Michigan 1943, as amended. The Notes are issued in anticipation of and are payable from money derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 202.

Principal on the notes is due on August 1, 2007 through 2011 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 3.4% to 4.0%.

**Accrued Sick and Vacation -**

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights which has been accrued on the financial statements amounted to approximately \$128,000 for sick leave and \$170,000 for vacation at December 31, 2006.

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**NOTE 11 - LONG-TERM LIABILITIES – (cont'd):**

**Accrued Claims Liability –**

The Road Commission is self-insured for health care benefits. The administrative services for the self-insured program are performed by the health insurance company. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision, which are adjusted quarterly.

The Road Commission has estimated accrued health care claims in excess of the last quarter payments, including an estimate for claims incurred but not reported (IBNR), of \$59,900 at December 31, 2006.

**Amortization Requirements –**

The annual requirements to amortize long-term liabilities outstanding at December 31, 2006, except compensated absences and accrued claims liability, are as follows:

|           | <u>MTF Bonds-Series 1999</u> |                   | <u>MTF Notes-Series 2001</u> |                   | <u>Total</u>        |
|-----------|------------------------------|-------------------|------------------------------|-------------------|---------------------|
|           | <u>Principal</u>             | <u>Interest</u>   | <u>Principal</u>             | <u>Interest</u>   |                     |
| 2007      | \$ 390,000                   | \$ 176,270        | \$ 250,000                   | \$ 48,874         | \$ 865,144          |
| 2008      | 410,000                      | 158,720           | 250,000                      | 39,626            | 858,346             |
| 2009      | 430,000                      | 140,270           | 250,000                      | 30,000            | 850,270             |
| 2010      | 455,000                      | 120,920           | 250,000                      | 20,000            | 845,920             |
| 2011      | 475,000                      | 99,763            | 250,000                      | 10,000            | 834,763             |
| 2012-2014 | <u>1,575,000</u>             | <u>157,375</u>    | <u>-</u>                     | <u>-</u>          | <u>1,732,375</u>    |
|           | <u>\$ 3,735,000</u>          | <u>\$ 853,318</u> | <u>\$1,250,000</u>           | <u>\$ 148,500</u> | <u>\$ 5,986,818</u> |

**NOTE 12 – EMPLOYEE PENSION PLAN:**

**Plan Description**

The St. Clair County Road Commission, as a component unit of St. Clair County, participates in the St. Clair County Retirement System. The Retirement system is a single employer, defined benefit pension plan, which was established by County ordinance in 1964 to provide retirement and pension benefits for substantially all employees of St. Clair County and the St. Clair County Community Mental Health Authority. The system is administered, managed and operated by a Board composed of 9 trustees, which is composed of the Chairperson of the Board of Commissioners, Chairperson of the St. Clair County Road Commission Board, one appointed citizen, one elected by the Community Mental Health Authority Board and four elected employees. The benefit provisions are governed by Michigan Public Act of 1984, as amended. The plan may be amended by the County Board of Commissioners.

The County issues publicly available annual financial statements that includes financial statements for the plan. That report may be obtained from St. Clair County by writing to the Administrator/Controllers office, 200 Grand River, Port Huron, Michigan 48060 or by calling (810) 989-6900.

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**NOTE 12 – EMPLOYEE PENSION PLAN – (cont'd):**

**Funding Policy**

The obligation to contribute to and maintain the retirement system for the employees was established by negotiations with the County collective bargaining units and by personnel policy for non-represented employees. The County is required to contribute at an actuarially determined amount, which for 2006, was 9.50% of annual covered payroll. Plan members are required to contribute 5% of their annual covered salary. The contribution requirement of a plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners.

**Annual Pension Costs**

During the year ended December 31, 2006, the Road Commission's annual pension cost of \$548,035 was equal to the Road Commission's required and actual contributions.

The required contribution rate was determined as part of the December 31, 2004 actuarial valuation using the individual entry age normal cost method. The actuarial assumption included (a) 7.5% net investment rate of return, and (b) project salary increases of 5% to 8.7% per year, which includes pay inflation at 5.0%. There are no projected cost of living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investment over a five-year period. The St. Clair County unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period, with a remaining amortization period as of December 31, 2004 of 17 years for liabilities created by plan changes, assumption changes or method changes. There is no unfunded accrued liability.

**Three-Year Trend Information**

| <u>Fiscal Year</u><br><u>Ending</u> | <u>Road</u><br><u>Annual Pension</u><br><u>Costs (ARC)</u> | <u>Percentage</u><br><u>of APC</u><br><u>Contribution</u> | <u>Net Pension</u><br><u>Obligation</u> |
|-------------------------------------|--|---|---|
| December 31, 2004                   | 197,717  | 100 %   | 197,717                                 |
| December 31, 2005                   | 390,041  | 100   | 190,041                                 |
| December 31, 2006                   | 548,035  | 100   | 548,035                                 |

**NOTE 13 – POSTEMPLOYMENT BENEFITS:**

St. Clair County provides retirement benefits for substantially all employees of the County, including employees of the St. Clair County Road Commission. Postemployment benefits consist of Blue Cross and Blue Shield, dental and prescription drug coverage.

The employees covered by the postemployment benefits and membership are the same as noted for the basic retirement plan (Note 12). In general all employees are eligible for postemployment benefits. At December 31, 2004, 924 members were active in the plan.



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**NOTE 13 – POSTEMPLOYMENT BENEFITS – (cont'd):**

**Contribution and Funding Policy -**

The County's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The Plan requires no member contributions for Road Commission employees.

The required contribution rate was determined as part of the December 31, 2004 actuarial valuation using the individual entry age actuarial cost method. The actuarial assumptions included (a) 7.5% net investment rate of return, (b) projected salary increases of 5% per year, and (c) projected health care premium increases of 5% to 10% per year.

During the year ended December 31, 2006, employer contributions of \$201,908 were made by the Road Commission. Employer contributions represented 3.50% of covered payroll. The actuarial valuation dated December 31, 2004 determined a contribution rate for calendar 2006 of 17.84% of covered payroll.

The present value of health benefits and the unfunded accrued liability at December 31, 2004 were \$55,663,190 and \$84,925,857, respectively.

**NOTE 14 - DESIGNATED FUND BALANCE:**

The Road Commission Fund Balance at December 31, 2006, has been designated as follows:

|  |                     |
|--|---------------------|
| Preservation-Structural Improvements         | \$ 741,972          |
| Local Road Engineering                       | 100,152             |
| County critical bridge program - uncommitted | 179,985             |
| Township match money - unused County share   | 174,944             |
| Liability claims deductible                  | 200,000             |
| Local Road Funding Assistance program        | 153,472             |
| Health Coverage IBNR                         | <u>75,000</u>       |
|  | <u>\$ 1,625,525</u> |

**NOTE 15 - SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES:**

In the normal course of its operations, the St. Clair County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

**NOTE 16 - RISK MANAGEMENT:**

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

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**NOTE 16 - RISK MANAGEMENT – (cont'd):**

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop-loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self Insurance Fund for workers' compensation insurance. The Fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The Fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Fund.

The Road Commission is self-insured for health care benefits. The administrative services for the self-insured program are performed by the health insurance company. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision, which are adjusted quarterly.

The Road Commission has estimated accrued health care claims in excess of the last quarter payments, including an estimate for claims incurred but not reported (IBNR), of \$59,900 at December 31, 2006. See Note 11 to the Financial Statements.

**NOTE 17 - EQUIPMENT OPERATIONS EXPENDITURE/EXPENSE BALANCE:**

The Road Commission in compliance with the Uniform Accounting Procedures Manual for Michigan County Road Commissions charges rental on Road Commission equipment used for various construction and maintenance projects performed by the Road Commission. The cost for this rental for 2006 is based on either a rental rate per hour established by the Michigan Department of Transportation or the actual costs per hour from 2005 data, multiplied by rental hours, is reported as an expenditure in the various maintenance activities. An expenditure credit is reported as an offset against the equipment expenditure activities. Accordingly, the equipment rental does not affect total expenditures or the available operating equity of the Road Commission's General Operating Fund. The balance for the year ended December 31, 2006 is as follows:

|                       | <u>Governmental<br/>Fund</u> | <u>Statement<br/>of Activities</u> |
|-----------------------|------------------------------|------------------------------------|
| Equipment –           |                              |                                    |
| Direct                | \$ 1,883,205                 | \$ 1,043,199                       |
| Indirect              | 1,080,904                    | 975,288                            |
| Operating             | <u>518,924</u>               | <u>518,924</u>                     |
|                       | 3,483,033                    | 2,537,411                          |
| Less-equipment rental | <u>( 2,791,820)</u>          | <u>( 2,791,820)</u>                |
|                       | <u>\$ 691,213</u>            | <u>\$( 254,409)</u>                |

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**NOTE 18 – CAPITAL OUTLAY EXPENDITURE CREDIT BALANCE:**

On the governmental fund financial statements, the Road Commission reports a depreciation credit as an offset to capital outlay as a result of charging depreciation to various expenditure accounts as explained in Note 1. Retirements are also reported as a credit against capital outlay. The credit balance of \$629,480 is the result of the amount of depreciation and retirements exceeding capital outlay expenditures for the year ended December 31, 2006 as follows:

|                               |                             |
|-------------------------------|-----------------------------|
| Capital Outlay –              |                             |
| Land improvements, building   |                             |
| and equipment                 | \$ 368,935                  |
| Less – depreciation/depletion | ( 998,159)                  |
| - retirements                 | ( <u>256</u> )              |
|                               | <u><u>\$ ( 629,480)</u></u> |

## **SUPPLEMENTARY INFORMATION**

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**DETAIL SCHEDULE OF REVENUES AND OTHER SOURCES**  
**GENERAL OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

|  | 2006                     | 2005                     |
|--|--------------------------|--------------------------|
| <b>Revenues:</b>                       |                          |                          |
| Permits                                | \$ 146,081               | \$ 151,951               |
| Federal Sources -                      |                          |                          |
| Federal aid urban/ rural               | 2,559,019                | 575,550                  |
| Federal aid bridge                     | 531,759                  | 455,928                  |
| Federal Aid Safety                     | -                        | 415,206                  |
| Other                                  | 186,560                  | -                        |
|  | <u>3,277,338</u>         | <u>1,446,684</u>         |
| State Sources -                        |                          |                          |
| Motor Vehicle Highway Funds - Act 51 - |                          |                          |
| Engineering                            | 10,000                   | 10,000                   |
| Primary roads                          | 7,634,958                | 7,684,124                |
| Local roads                            | 3,262,196                | 3,275,366                |
| Michigan Economic Development          | 1,073,543                | 500,693                  |
| Others                                 | -                        | 7,264,911                |
|  | <u>11,980,697</u>        | <u>18,735,094</u>        |
| Local Sources -                        |                          |                          |
| Township contributions - match money   | 3,927,293                | 3,230,660                |
| County appropriations                  | 600,000                  | 500,000                  |
| Other contributions                    | 1,803,345                | 4,001,357                |
|  | <u>6,330,638</u>         | <u>7,732,017</u>         |
| Charges for Services -                 |                          |                          |
| Trunkline maintenance                  | 3,329,903                | 3,188,150                |
| Trunkline nonmaintenance               | 243,035                  | 795,649                  |
| Salvage sales                          | 6,600                    | 4,955                    |
| Subdivisions                           | 34,159                   | 29,843                   |
|  | <u>3,613,697</u>         | <u>4,018,597</u>         |
| Interest and rents                     | <u>143,585</u>           | <u>91,074</u>            |
| Other -                                |                          |                          |
| Gain on equipment disposal             | 12,706                   | 68,579                   |
| Sundry refunds                         | 20,831                   | 2,178                    |
| Other                                  | 69,527                   | 30,654                   |
|  | <u>103,064</u>           | <u>101,411</u>           |
| Total Revenues                         | <u><u>25,595,100</u></u> | <u><u>32,276,828</u></u> |

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**DETAIL SCHEDULE OF EXPENDITURES**  
**GENERAL OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

|   | <u>2006</u>          | <u>2005</u>          |
|---|----------------------|----------------------|
| <b>Expenditures:</b>  |                      |                      |
| Construction/capacity Improvements -                        |                      |                      |
| Primary roads and structures                                | \$ -                 | \$ 7,264,911         |
| Local roads and structures                                  | 398,435              | 3,247,106            |
| Other Non-motorized   | 368,215              | -                    |
|   | <u>766,650</u>       | <u>10,512,017</u>    |
| Preservation - Structural Improvements -                    |                      |                      |
| Primary roads and structures                                | 6,872,641            | 3,578,990            |
| Local roads and structures                                  | 2,565,902            | 3,023,177            |
|   | <u>9,438,543</u>     | <u>6,602,167</u>     |
| Maintenance -   |                      |                      |
| Primary roads and structures,<br>winter and traffic control | 3,307,209            | 4,144,770            |
| Local roads and structures,<br>winter and traffic control   | 5,498,045            | 4,726,860            |
|   | <u>8,805,254</u>     | <u>8,871,630</u>     |
| State Maintenance -   |                      |                      |
| Trunkline maintenance                                       | 3,268,121            | 3,188,150            |
| Trunkline nonmaintenance                                    | 243,049              | 795,649              |
|   | <u>3,511,170</u>     | <u>3,983,799</u>     |
| Administrative -  |                      |                      |
| Administration  | 1,126,055            | 1,247,010            |
| Less - handling   | ( 9,116)             | ( 9,517)             |
| - overhead  | ( 273,064)           | ( 307,460)           |
| - purchase discounts  | ( 3,434)             | ( 21,513)            |
| - other administrative credit                               | ( 322,167)           | ( 224,841)           |
|   | <u>518,274</u>       | <u>683,679</u>       |
| Equipment operations-                                       |                      |                      |
| Direct  | 1,883,205            | 1,990,719            |
| Indirect  | 1,080,904            | 1,150,482            |
| Operating   | 518,924              | 467,040              |
| Less - equipment rental                                     | ( 2,791,820)         | ( 3,005,138)         |
|   | <u>691,213</u>       | <u>603,103</u>       |
| Other -   |                      |                      |
| Services  | 1,588,312            | 865,225              |
| Capital Outlay -  |                      |                      |
| Land improvements, building<br>and equipment                | 368,935              | 851,242              |
| Less - depreciation   | ( 998,159)           | ( 1,054,339)         |
| - retirements   | ( 256)               | ( 1,851)             |
|   | <u>( 629,480)</u>    | <u>( 204,948)</u>    |
| Debt Service -  |                      |                      |
| Principal retirement  | 625,000              | 605,000              |
| Interest and fiscal charges                                 | 250,876              | 274,908              |
|   | <u>875,876</u>       | <u>879,908</u>       |
| Total Expenditures  | <u>\$ 25,565,812</u> | <u>\$ 32,796,580</u> |

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BY FUND BALANCE SUB-ACCOUNTS**  
**GENERAL OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

|   | Primary           | Local            | County              | Total               |
|---|-------------------|------------------|---------------------|---------------------|
| <b>Revenues:</b>  |                   |                  |                     |                     |
| Licenses and permits  | \$ -              | \$ -             | \$ 146,081          | \$ 146,081          |
| Intergovernmental -   |                   |                  |                     |                     |
| Federal Sources   | 2,745,579         | 531,759          | -                   | 3,277,338           |
| State Sources   | 8,715,534         | 3,265,163        | -                   | 11,980,697          |
| Local Sources   | -                 | 3,863,933        | 2,466,705           | 6,330,638           |
| Charges for Services  | -                 | -                | 3,613,697           | 3,613,697           |
| Interest & rents  | -                 | -                | 143,585             | 143,585             |
| Other   | -                 | -                | 103,064             | 103,064             |
| Total Revenues  | <u>11,461,113</u> | <u>7,660,855</u> | <u>6,473,132</u>    | <u>25,595,100</u>   |
| <b>Expenditures:</b>  |                   |                  |                     |                     |
| Construction/capacity Improvements                                    | -                 | 766,650          | -                   | 766,650             |
| Preservation - structural improvements                                | 6,872,641         | 2,565,902        | -                   | 9,438,543           |
| Maintenance   | 3,307,209         | 5,498,045        | -                   | 8,805,254           |
| Other -   |                   |                  |                     |                     |
| Trunkline maintenance   | -                 | -                | 3,268,121           | 3,268,121           |
| Trunkline nonmaintenance  | -                 | -                | 243,049             | 243,049             |
| Administrative - net  | 277,529           | 240,745          | -                   | 518,274             |
| Equipment - net   | 153,864           | 286,577          | 250,772             | 691,213             |
| Other   | -                 | -                | 1,588,312           | 1,588,312           |
| Capital outlay - net  | -                 | -                | ( 629,480)          | ( 629,480)          |
| Debt principal  | -                 | -                | 625,000             | 625,000             |
| Interest  | -                 | -                | 250,876             | 250,876             |
| Total Expenditures  | <u>10,611,243</u> | <u>9,357,919</u> | <u>5,596,650</u>    | <u>25,565,812</u>   |
| Excess of revenues over (under) expenditures before optional transfer | 849,870           | ( 1,697,064)     | 876,482             | 29,288              |
| Optional transfer   | <u>( 849,870)</u> | <u>849,870</u>   | <u>-</u>            | <u>-</u>            |
| Excess of revenues over (under) expenditures after optional transfer  | -                 | ( 847,194)       | 876,482             | 29,288              |
| Fund Balance at January 1, 2006                                       | -                 | -                | 5,650,708           | 5,650,708           |
| Interfund adjustments   | <u>-</u>          | <u>847,194</u>   | <u>( 847,194)</u>   | <u>-</u>            |
| Fund Balance at December 31, 2006                                     | <u>\$ -</u>       | <u>\$ -</u>      | <u>\$ 5,679,996</u> | <u>\$ 5,679,996</u> |

## SECTION THREE: STATISTICAL SECTION

This section of the St. Clair County Road Commission's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information reports about the Road Commission's overall financial health. These tables are presented because they are representative of the Road Commission activity and are the statistics commonly used to assess Road Commission operations and financial position.

| <b>Contents</b>   | <b><u>Page Number</u></b> |
|---|---------------------------|
| Financial Trends<br><i>These schedules contain trend information to help the reader understand how the Road Commission's financial performance and well-being have changed over time.</i>   | 31                        |
| Revenue Capacity<br><i>These schedules contain information to help the reader assess the government's most significant local revenue source, Michigan transportation funds.</i>   | 36                        |
| Debt Capacity<br><i>These schedules present information to help the reader assess the affordability of the Road Commission's current levels of outstanding debt and the ability to issue additional debt in the future.</i>   | 38                        |
| Demographic and Economic Information<br><i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Road Commission's financial activities take place.</i>  | 40                        |
| Operating Information<br><i>These schedules contain service and infrastructure data to help the reader understand how the information in the Road Commission's financial report relates to the services the government provides and the activities it performs.</i> | 48                        |



**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NET ASSETS BY COMPONENT**  
**(accrual basis of accounting)**  
**YEARS ENDED 2002 THROUGH 2006**  
**(UNAUDITED)**

|  | <u>2006</u>                  | <u>2005</u>                  | <u>2004</u>                 | <u>2003</u>                 | <u>2002</u>                 |
|--|------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Governmental activities                            |                              |                              |                             |                             |                             |
| Invested in capital assets,<br>net of related debt | \$ 108,757,108               | \$ 103,484,184               | \$ 90,680,974               | \$ 80,834,804               | \$ 65,474,089               |
| Unrestricted                                       | <u>5,355,944</u>             | <u>5,336,271</u>             | <u>5,932,596</u>            | <u>5,933,046</u>            | <u>7,461,966</u>            |
| Total Net Assets                                   | <u><u>\$ 114,113,052</u></u> | <u><u>\$ 108,820,455</u></u> | <u><u>\$ 96,613,570</u></u> | <u><u>\$ 86,767,850</u></u> | <u><u>\$ 72,936,055</u></u> |

Note: Accrual-basis financial information for the County Road Commission is available back to 2002 only, the year GASB Statement 34 was implemented.

Table 1

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**CHANGE IN NET ASSETS**  
**(accrual basis of accounting)**  
**YEARS ENDED 2002 THROUGH 2006**  
**(UNAUDITED)**

|                               | 2006                 | 2005                 | 2004                 | 2003                 | 2002                 |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Revenues:</b>              |                      |                      |                      |                      |                      |
| Permits                       | \$ 146,081           | \$ 151,951           | \$ 178,579           | \$ 157,974           | \$ 173,556           |
| Intergovernmental -           |                      |                      |                      |                      |                      |
| Federal sources               | 3,277,338            | 1,446,684            | 643,311              | 1,459,093            | 1,072,789            |
| State sources                 | 11,980,697           | 18,735,094           | 17,873,320           | 11,031,273           | 12,361,297           |
| Local sources                 | 6,314,207            | 7,543,165            | 5,737,073            | 5,640,496            | 6,185,116            |
| Charges for services          | 3,613,697            | 4,018,597            | 3,559,912            | 3,182,188            | 3,116,598            |
| Interest and rents            | 143,585              | 91,074               | 59,113               | 58,212               | 116,747              |
| Other                         | 103,064              | 101,411              | 139,502              | 99,518               | 206,324              |
| Total Revenues                | <u>\$ 25,578,669</u> | <u>\$ 32,087,976</u> | <u>\$ 28,190,810</u> | <u>\$ 21,628,754</u> | <u>\$ 23,232,427</u> |
| <b>Expenditures/Expenses:</b> |                      |                      |                      |                      |                      |
| Current -                     |                      |                      |                      |                      |                      |
| Primary maintenance           | 3,272,572            | 4,091,204            | 3,529,976            | 4,015,004            | 3,894,924            |
| Local maintenance             | 5,490,108            | 4,666,707            | 4,923,850            | 5,128,421            | 5,169,331            |
| State maintenance             | 3,511,170            | 3,983,799            | 3,512,654            | 3,148,252            | 3,261,770            |
| Administrative                | 483,354              | 641,426              | 585,446              | 955,844              | 917,488              |
| Equipment operations - net    | (254,153)            | (395,864)            | (455,350)            | (1,207,217)          | (1,201,982)          |
| Depreciation                  | 5,952,649            | 5,767,557            | 4,838,033            | 4,749,890            | 5,538,881            |
| Other                         | 1,588,312            | 863,033              | 1,120,917            | 1,228,519            | 1,939,090            |
| Debt Service - Interest       | 242,060              | 263,229              | 289,564              | 317,033              | 345,483              |
| Total Expenditures/Expenses   | <u>\$ 20,286,072</u> | <u>\$ 19,881,091</u> | <u>\$ 18,345,090</u> | <u>\$ 18,335,746</u> | <u>\$ 19,864,985</u> |
| Change in Net Assets          | <u>\$ 5,292,597</u>  | <u>\$ 12,206,885</u> | <u>\$ 9,845,720</u>  | <u>\$ 3,293,008</u>  | <u>\$ 3,367,442</u>  |

Note: Accrual-basis financial information for the County Road Commission is only available back to 2002, the year GASB 34 was implemented.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**FUND BALANCE BY COMPONENT**  
**(modified accrual basis of accounting)**  
**YEARS ENDED 1997 THROUGH 2006**  
**(UNAUDITED)**

|      | Reserved         |                      | Unreserved   |              | Total        |
|------|------------------|----------------------|--------------|--------------|--------------|
|      | Prepaid<br>Items | Bond<br>Expenditures | Designated   | Undesignated |              |
| 1997 | \$ 244,513       | \$ -                 | \$ 2,085,498 | \$ 2,723,243 | \$ 5,053,254 |
| 1998 | 265,924          | -                    | 2,758,829    | 4,465,741    | 7,490,494    |
| 1999 | 99,058           | 976,551              | 3,185,989    | 4,866,909    | 9,128,507    |
| 2000 | 153,280          | -                    | 2,934,631    | 6,329,605    | 9,417,516    |
| 2001 | 76,282           | 337,769              | 2,258,741    | 6,850,393    | 9,523,185    |
| 2002 | 83,251           | -                    | 1,903,896    | 5,691,103    | 7,678,250    |
| 2003 | 249,909          | -                    | 4,174,227    | 1,768,343    | 6,192,479    |
| 2004 | 197,885          | -                    | 1,954,847    | 4,017,728    | 6,170,460    |
| 2005 | 207,372          | -                    | 1,322,040    | 4,121,296    | 5,650,708    |
| 2006 | 318,131          | -                    | 1,625,525    | 3,736,340    | 5,679,996    |

Table 3

**ST CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND**  
**LAST TEN YEARS**  
**MODIFIED ACCRUAL BASIS OF ACCOUNTING**  
**(UNAUDITED)**

|  | <u>2006</u>       | <u>2005</u>         | <u>2004</u>        | <u>2003</u>           |
|--|-------------------|---------------------|--------------------|-----------------------|
| <b>Revenues:</b>                               |                   |                     |                    |                       |
| Taxes  | \$ -              | \$ -                | \$ -               | \$ -                  |
| Permits  | 146,081           | 151,951             | 178,579            | 157,974               |
| Intergovernmental -                            |                   |                     |                    |                       |
| Federal sources                                | 3,277,338         | 1,446,684           | 643,311            | 1,459,093             |
| State sources                                  | 11,980,697        | 18,735,094          | 17,873,320         | 11,031,273            |
| Local sources                                  | 6,330,638         | 7,732,017           | 5,717,473          | 5,573,922             |
| Charges for services                           | 3,613,697         | 4,018,597           | 3,559,912          | 3,182,188             |
| Interest and rents                             | 143,585           | 91,074              | 59,113             | 58,212                |
| Other  | 103,064           | 101,411             | 139,502            | 99,518                |
| Total revenues                                 | <u>25,595,100</u> | <u>32,276,828</u>   | <u>28,171,210</u>  | <u>21,562,180</u>     |
| <b>Other financing sources</b>                 |                   |                     |                    |                       |
| Bond proceeds                                  | -                 | -                   | -                  | -                     |
| Total revenues and other sources               | <u>25,595,100</u> | <u>32,276,828</u>   | <u>28,171,210</u>  | <u>21,562,180</u>     |
| <b>Expenditures</b>                            |                   |                     |                    |                       |
| Current -                                      |                   |                     |                    |                       |
| Primary construction/capacity improvements     | -                 | 7,264,911           | 6,096,293          | -                     |
| Local construction/capacity improvements       | 766,650           | 3,247,106           | 1,770,267          | 1,170,457             |
| Primary preservation - structural improvements | 6,872,641         | 3,578,990           | 3,637,983          | 4,528,939             |
| Local preservation - structural improvements   | 2,565,902         | 3,023,177           | 1,602,373          | 2,296,246             |
| Primary maintenance                            | 3,307,209         | 4,144,770           | 3,538,907          | 3,981,588             |
| Local maintenance                              | 5,498,045         | 4,726,860           | 4,936,180          | 5,082,749             |
| State maintenance                              | 3,511,170         | 3,983,799           | 3,512,654          | 3,148,252             |
| Administrative                                 | 518,274           | 683,679             | 651,714            | 1,014,905             |
| Equipment operations                           | 3,483,033         | 3,608,241           | 3,412,550          | 2,834,445             |
| Less equipment rental                          |                   |                     |                    |                       |
| charged to other activities                    | ( 2,791,820)      | ( 3,005,138)        | ( 2,811,832)       | ( 3,034,112)          |
| Other  | 1,588,312         | 865,225             | 1,054,195          | 1,227,252             |
| Capital outlay                                 | 368,935           | 851,242             | 1,054,188          | 972,152               |
| Less: depreciation credit                      |                   |                     |                    |                       |
| and retirements                                | ( 998,415)        | ( 1,056,190)        | ( 1,152,276)       | ( 1,073,955)          |
| Debt service -                                 |                   |                     |                    |                       |
| Principal                                      | 625,000           | 605,000             | 590,000            | 570,000               |
| Interest                                       | 250,876           | 274,908             | 300,033            | 329,033               |
| Total expenditures                             | <u>25,565,812</u> | <u>32,796,580</u>   | <u>28,193,229</u>  | <u>23,047,951</u>     |
| Excess of revenues and other sources           |                   |                     |                    |                       |
| over (under) expenditures                      | <u>\$ 29,288</u>  | <u>\$ (519,752)</u> | <u>\$ (22,019)</u> | <u>\$ (1,485,771)</u> |

| <u>2002</u>           | <u>2001</u>       | <u>2000</u>       | <u>1999</u>         | <u>1998</u>         | <u>1997</u>       |
|-----------------------|-------------------|-------------------|---------------------|---------------------|-------------------|
| \$ -                  | \$ -              | \$ -              | \$ -                | \$ -                | \$ 30             |
| 173,556               | 152,685           | 137,321           | 125,704             | 160,994             | 134,212           |
| 1,072,789             | 1,271,621         | 2,238,330         | 1,044,872           | 266,814             | 399,065           |
| 12,361,297            | 9,943,146         | 10,115,869        | 10,685,333          | 10,318,806          | 10,623,711        |
| 5,983,849             | 4,073,841         | 3,968,027         | 2,446,698           | 2,910,446           | 3,946,897         |
| 3,116,598             | 2,810,944         | 3,444,000         | 3,790,996           | 3,276,519           | 4,080,006         |
| 116,747               | 334,704           | 494,515           | 402,128             | 251,999             | 200,088           |
| 206,324               | 209,423           | 155,931           | 220,806             | 94,131              | 74,273            |
| <u>23,031,160</u>     | <u>18,796,364</u> | <u>20,553,993</u> | <u>18,716,537</u>   | <u>17,279,709</u>   | <u>19,458,282</u> |
| -                     | 2,505,910         | -                 | 5,940,000           | -                   | -                 |
| <u>23,031,160</u>     | <u>21,302,274</u> | <u>20,553,993</u> | <u>24,656,537</u>   | <u>17,279,709</u>   | <u>19,458,282</u> |
| -                     | -                 | -                 | -                   | -                   | -                 |
| -                     | 190,769           | -                 | 52,181              | 226,462             | 135,485           |
| 6,310,936             | 6,722,286         | 4,384,897         | 8,254,257           | 2,629,303           | 4,361,927         |
| 3,078,561             | 1,634,157         | 2,072,140         | 1,786,287           | 692,628             | 3,021,284         |
| 3,897,332             | 2,832,027         | 4,062,932         | 3,771,504           | 3,179,996           | 2,485,952         |
| 5,176,623             | 4,382,118         | 4,498,935         | 4,132,392           | 4,000,925           | 3,584,791         |
| 3,259,514             | 2,915,349         | 3,408,791         | 2,914,593           | 2,410,102           | 3,360,960         |
| 982,218               | 1,160,256         | 873,524           | 990,004             | 921,352             | 819,547           |
| 2,716,264             | 2,490,531         | 2,533,784         | 2,257,557           | 2,009,689           | 2,052,335         |
| ( 2,917,171)          | ( 2,590,343)      | ( 2,830,805)      | ( 2,526,624)        | ( 2,229,311)        | ( 2,192,114)      |
| 1,941,790             | 719,505           | 741,771           | 615,441             | 680,592             | 785,618           |
| 1,343,162             | 1,128,515         | 876,978           | 1,216,645           | 708,344             | 710,052           |
| ( 1,063,393)          | ( 941,979)        | ( 913,627)        | ( 853,894)          | ( 757,369)          | ( 715,819)        |
| 555,000               | 290,000           | 280,000           | 347,242             | 315,611             | 287,172           |
| 357,376               | 263,414           | 275,664           | 50,919              | 54,165              | 83,813            |
| <u>25,638,212</u>     | <u>21,196,605</u> | <u>20,264,984</u> | <u>23,008,504</u>   | <u>14,842,489</u>   | <u>18,781,003</u> |
| <u>\$ (2,607,052)</u> | <u>\$ 105,669</u> | <u>\$ 289,009</u> | <u>\$ 1,648,033</u> | <u>\$ 2,437,220</u> | <u>\$ 677,279</u> |

Table 4

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**MICHIGAN TRANSPORTATION FUNDS**  
**YEARS ENDED 1997 THROUGH 2006**  
**(UNAUDITED)**

|                     | <u>2006</u>          | <u>2005</u>          | <u>2004</u>          | <u>2003</u>          | <u>2002</u>          |
|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total MTF</b>    |                      |                      |                      |                      |                      |
| Engineering         | \$ 10,000            | \$ 10,000            | \$ 10,000            | \$ 10,000            | \$ 10,000            |
| Urban Road          | 915,287              | 917,698              | 1,060,730            | 1,080,307            | 1,030,950            |
| Allocation          | <u>9,981,867</u>     | <u>10,041,792</u>    | <u>10,245,015</u>    | <u>9,490,709</u>     | <u>8,982,982</u>     |
| Total               | <u>\$ 10,907,154</u> | <u>\$ 10,969,490</u> | <u>\$ 11,315,745</u> | <u>\$ 10,581,016</u> | <u>\$ 10,023,932</u> |
| <b>Primary Road</b> |                      |                      |                      |                      |                      |
| Engineering         | \$ 7,033             | \$ 7,039             | \$ 6,968             | \$ 6,872             | \$ 6,850             |
| Urban Road          | 614,963              | 615,238              | 722,041              | 745,610              | 714,600              |
| Allocation          | <u>7,019,995</u>     | <u>7,068,886</u>     | <u>7,138,672</u>     | <u>6,518,514</u>     | <u>6,145,234</u>     |
| Total               | <u>\$ 7,641,991</u>  | <u>\$ 7,691,163</u>  | <u>\$ 7,867,681</u>  | <u>\$ 7,270,996</u>  | <u>\$ 6,866,684</u>  |
| <b>Local Road</b>   |                      |                      |                      |                      |                      |
| Engineering         | \$ 2,967             | \$ 2,961             | \$ 3,032             | \$ 3,128             | \$ 3,150             |
| Urban Road          | 300,324              | 302,460              | 338,689              | 334,697              | 316,350              |
| Allocation          | <u>2,961,872</u>     | <u>2,972,906</u>     | <u>3,106,343</u>     | <u>2,972,195</u>     | <u>2,837,748</u>     |
| Total               | <u>\$ 3,265,163</u>  | <u>\$ 3,278,327</u>  | <u>\$ 3,448,064</u>  | <u>\$ 3,310,020</u>  | <u>\$ 3,157,248</u>  |

| <u>2001</u>         | <u>2000</u>         | <u>1999</u>         | <u>1998</u>         | <u>1997</u>         |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 10,000           | \$ 10,000           | \$ 10,000           | \$ 10,000           | \$ 10,000           |
| 1,007,584           | 995,758             | 949,424             | 946,814             | 780,545             |
| <u>8,957,287</u>    | <u>8,955,164</u>    | <u>8,506,423</u>    | <u>8,487,477</u>    | <u>7,398,456</u>    |
| <u>\$ 9,974,871</u> | <u>\$ 9,960,922</u> | <u>\$ 9,465,847</u> | <u>\$ 9,444,291</u> | <u>\$ 8,189,001</u> |
|                     |                     |                     |                     |                     |
| \$ 6,836            | \$ 6,825            | \$ 6,823            | \$ 6,823            | \$ 6,820            |
| 686,955             | 672,664             | 643,901             | 643,868             | 532,196             |
| <u>6,125,406</u>    | <u>6,118,589</u>    | <u>5,807,370</u>    | <u>5,792,948</u>    | <u>5,187,987</u>    |
| <u>\$ 6,819,197</u> | <u>\$ 6,798,078</u> | <u>\$ 6,458,094</u> | <u>\$ 6,443,639</u> | <u>\$ 5,727,003</u> |
|                     |                     |                     |                     |                     |
| \$ 3,164            | \$ 3,175            | \$ 3,177            | \$ 3,177            | \$ 3,180            |
| 320,629             | 323,094             | 305,523             | 302,946             | 248,349             |
| <u>2,831,881</u>    | <u>2,836,575</u>    | <u>2,699,053</u>    | <u>2,694,529</u>    | <u>2,210,469</u>    |
| <u>\$ 3,155,674</u> | <u>\$ 3,162,844</u> | <u>\$ 3,007,753</u> | <u>\$ 3,000,652</u> | <u>\$ 2,461,998</u> |

Table 5

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**LONG-TERM LIABILITIES**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
LONG-TERM LIABILITIES TO MOTOR VEHICLE HIGHWAY FUNDS - ACT 51**

**YEARS ENDED 1997 THROUGH 2006  
(UNAUDITED)**

| <u>Year Ended</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total Debt<br/>Service</u> | <u>Motor Vehicle<br/>Highway Funds<br/>Act 51</u> | <u>Ratio of Debt<br/>Service to<br/>MVHF - Act<br/>51</u> |
|-------------------|---------------------|---------------------|-------------------------------|---|---|
| 1997              | \$ 287,172          | \$ 83,813           | \$ 370,985                    | \$ 8,179,000                                      | 4.54%   |
| 1998              | 315,611             | 54,165              | 369,776                       | 9,434,291   | 3.92%   |
| 1999              | 347,242             | 50,919              | 398,161                       | 9,473,656   | 4.20%   |
| 2000              | 280,000             | 275,664             | 555,664                       | 9,950,922   | 5.58%   |
| 2001              | 290,000             | 263,414             | 553,414                       | 9,964,871   | 5.55%   |
| 2002              | 555,000             | 357,376             | 912,376                       | 10,013,932  | 9.11%   |
| 2003              | 570,000             | 329,033             | 899,033                       | 10,571,016  | 8.50%   |
| 2004              | 590,000             | 300,033             | 890,033                       | 11,305,745  | 7.87%   |
| 2005              | 605,000             | 274,908             | 879,908                       | 10,959,490  | 8.03%   |
| 2006              | <u>625,000</u>      | <u>250,876</u>      | <u>875,876</u>                | <u>10,897,154</u>                                 | 8.04%   |
| Total             | <u>\$ 4,465,025</u> | <u>\$ 2,240,201</u> | <u>\$ 6,705,226</u>           | <u>\$ 100,750,077</u>                             | <u>6.66%</u>  |

Note:

(1) Motor Vehicle Highway Funds - Act 51, represent the amount received from the State of Michigan as the distribution of gas and weight taxes that have been designated for Primary and Local Road expenditures. The amount, however, does not include an amount of \$10,000 per year in Motor Vehicle Highway Fund - Act 51 which has been designated for engineering expenditures.

Table 6



**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**LONG-TERM LIABILITIES**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
LONG-TERM LIABILITIES TO TOTAL OPERATING EXPENDITURES**

**YEARS ENDED 1997 THROUGH 2006  
(UNAUDITED)**

| <u>Year Ended</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total Debt<br/>Service</u> | <u>Total Operating<br/>Expenditures</u> | <u>Ratio of Debt<br/>Service to<br/>Total<br/>Operating<br/>Expenditures</u> |
|-------------------|---------------------|---------------------|-------------------------------|---|--|
| 1997              | \$ 287,172          | \$ 83,813           | \$ 370,985                    | \$ 18,415,785                           | 2.01%  |
| 1998              | 315,611             | 54,165              | 369,776                       | 14,521,738                              | 2.55%  |
| 1999              | 347,242             | 50,919              | 398,161                       | 22,257,592                              | 1.79%  |
| 2000              | 280,000             | 275,664             | 555,664                       | 19,745,970                              | 2.81%  |
| 2001              | 290,000             | 263,414             | 553,414                       | 20,456,655                              | 2.71%  |
| 2002              | 555,000             | 357,376             | 912,376                       | 24,446,067                              | 3.73%  |
| 2003              | 570,000             | 329,033             | 899,033                       | 22,250,721                              | 4.04%  |
| 2004              | 590,000             | 300,033             | 890,033                       | 27,401,284                              | 3.25%  |
| 2005              | 605,000             | 274,908             | 879,908                       | 32,121,620                              | 2.74%  |
| 2006              | <u>625,000</u>      | <u>250,876</u>      | <u>875,876</u>                | <u>25,319,416</u>                       | 3.46%  |
| Total             | <u>\$ 4,465,025</u> | <u>\$ 2,240,201</u> | <u>\$ 6,705,226</u>           | <u>\$ 226,936,848</u>                   | <u>2.95%</u>   |

Notes:

(1) Operating Expenditures do not include expenditures for Capital Outlay as well as Debt Service.

(2) In 1999 the Road Commission (County of St. Clair) issued \$6,000,000 in Michigan Transportation Fund Bonds dated June 1, 1999. Principal and interest payments are due through August 1, 2014.

(3) In 2001 the Road Commission (County of St. Clair) issued \$2,500,000 of Michigan Transportation Fund Notes, Series 2001, dated August 21, 2001. Principal and interest payments are due through August 1, 2011.

Table 7

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**PRESERVATION-STRUCTURAL IMPROVEMENTS EXPENDITURES BY  
COUNTY ROAD PERSONNEL AND CONTRACTORS**

**YEARS ENDED 1997 THROUGH 2006  
(UNAUDITED)**

|      | Performed by County Road |            | Performed by Contractors |              | Total        |              |
|------|--------------------------|------------|--------------------------|--------------|--------------|--------------|
|      | Primary                  | Local      | Primary                  | Local        | Primary      | Local        |
| 1997 | \$ 447,489               | \$ 616,497 | \$ 3,914,438             | \$ 2,404,787 | \$ 4,361,927 | \$ 3,021,284 |
| 1998 | 586,552                  | 328,263    | 2,042,751                | 364,365      | 2,629,303    | 692,628      |
| 1999 | 823,124                  | 923,508    | 7,431,133                | 862,779      | 8,254,257    | 1,786,287    |
| 2000 | 640,098                  | 658,551    | 3,744,799                | 1,413,589    | 4,384,897    | 2,072,140    |
| 2001 | 904,021                  | 633,609    | 5,818,265                | 1,000,548    | 6,722,286    | 1,634,157    |
| 2002 | 873,396                  | 740,466    | 5,437,540                | 2,338,095    | 6,310,936    | 3,078,561    |
| 2003 | 641,268                  | 537,208    | 3,887,671                | 1,759,038    | 4,528,939    | 2,296,246    |
| 2004 | 528,669                  | 575,332    | 3,109,314                | 1,027,041    | 3,637,983    | 1,602,373    |
| 2005 | 474,990                  | 790,850    | 3,104,000                | 2,232,327    | 3,578,990    | 3,023,177    |
| 2006 | 402,594                  | 407,158    | 6,470,047                | 2,158,744    | 6,872,641    | 2,565,902    |

Note: In 2005, terminology was changed from Heavy Maintenance to Preservation- Structural Improvements

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**MAINTENANCE EXPENDITURES BY  
COUNTY ROAD PERSONNEL AND CONTRACTORS**

**YEARS ENDED 1997 THROUGH 2006  
(UNAUDITED)**

|      | Performed by County Road |              | Performed by Contractors |              | Total        |              |
|------|--------------------------|--------------|--------------------------|--------------|--------------|--------------|
|      | Primary                  | Local        | Primary                  | Local        | Primary      | Local        |
| 1997 | \$ 2,263,373             | \$ 2,541,552 | \$ 222,579               | \$ 1,043,239 | \$ 2,485,952 | \$ 3,584,791 |
| 1998 | 2,674,544                | 3,025,712    | 505,452                  | 975,213      | 3,179,996    | 4,000,925    |
| 1999 | 3,117,305                | 3,084,009    | 654,199                  | 1,048,383    | 3,771,504    | 4,132,392    |
| 2000 | 3,243,165                | 3,295,665    | 819,767                  | 1,203,330    | 4,062,932    | 4,498,995    |
| 2001 | 2,290,367                | 3,237,059    | 541,660                  | 1,145,059    | 2,832,027    | 4,382,118    |
| 2002 | 3,046,348                | 1,742,865    | 850,984                  | 3,433,758    | 3,897,332    | 5,176,623    |
| 2003 | 3,174,568                | 3,808,430    | 807,020                  | 1,274,319    | 3,981,588    | 5,082,749    |
| 2004 | 2,852,464                | 3,716,508    | 686,443                  | 1,219,672    | 3,538,907    | 4,936,180    |
| 2005 | 3,293,505                | 2,284,168    | 851,265                  | 2,442,692    | 4,144,770    | 4,726,860    |
| 2006 | 2,496,944                | 3,892,592    | 810,265                  | 1,605,453    | 3,307,209    | 5,498,045    |

Table 9

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**2006 CONSTRUCTION/CAPACITY AND PRESERVATION/STRUCTURAL  
IMPROVEMENTS  
EXPENDITURES BY TOWNSHIP  
(UNAUDITED)**

| <u>Township</u> | <u>Construction/<br/>Capacity<br/>Improvement</u> | <u>Preservation/<br/>Structural<br/>Improvement</u> | <u>Total</u>        |
|-----------------|---|---|---------------------|
| Berlin          | \$ -  | \$ 196  | \$ 196              |
| Brockway        | -   | 9,199   | 9,199               |
| Burtchville     | 190,615   | -   | 190,615             |
| Casco           | -   | -   | -                   |
| China           | -   | 3,451   | 3,451               |
| Clay            | -   | 264,262   | 264,262             |
| Clyde           | -   | ( 9)  | ( 9)                |
| Columbus        | -   | 63,312  | 63,312              |
| Cottrellville   | -   | 57,527  | 57,527              |
| East China      | -   | 184,218   | 184,218             |
| Emmett          | -   | -   | -                   |
| Fort Gratiot    | 547,802   | -   | 547,802             |
| Grant           | 28,233  | 22,013  | 50,246              |
| Greenwood       | -   | -   | -                   |
| Ira             | -   | 2,212   | 2,212               |
| Kenockee        | -   | 96,365  | 96,365              |
| Kimball         | -   | 217,729   | 217,729             |
| Lynn            | -   | 2,311   | 2,311               |
| Mussey          | -   | -   | -                   |
| Port Huron      | -   | 920,721   | 920,721             |
| Riley           | -   | -   | -                   |
| St. Clair       | -   | 721,113   | 721,113             |
| Wales           | -   | 1,282   | 1,282               |
| Totals          | <u>\$ 766,650</u>                                 | <u>\$ 2,565,902</u>                                 | <u>\$ 3,332,552</u> |

Table 10

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**EQUIPMENT OPERATION**  
**YEARS ENDED 1997 THROUGH 2006**  
**(UNAUDITED)**

|      | Direct Costs |              |         |           | Indirect Costs | Operating Costs | Total Cost | Rentals     | (Gain)/Loss |
|------|--------------|--------------|---------|-----------|----------------|-----------------|------------|-------------|-------------|
|      | Labor        | Depreciation | Other   | Total     |                |                 |            |             |             |
| 1997 | \$ -         | \$ -         | \$ -    | \$ -      | \$ -           | \$ -            | \$ -       | \$ -        | \$ -        |
| 1998 | -            | -            | -       | -         | -              | -               | -          | -           | -           |
| 1999 | 471,220      | 715,503      | 265,317 | 1,452,040 | 657,955        | 147,563         | 2,257,558  | (2,526,624) | (269,066)   |
| 2000 | 501,421      | 765,018      | 302,224 | 1,568,663 | 704,091        | 261,030         | 2,533,784  | (2,830,805) | (297,021)   |
| 2001 | 314,252      | 754,819      | 506,699 | 1,575,770 | 674,519        | 240,242         | 2,490,531  | (2,590,343) | (99,812)    |
| 2002 | 537,348      | 908,734      | 317,573 | 1,763,655 | 736,802        | 215,807         | 2,716,264  | (2,917,171) | (200,907)   |
| 2003 | 563,293      | 917,550      | 312,398 | 1,793,241 | 772,760        | 268,444         | 2,834,445  | (3,034,112) | (199,667)   |
| 2004 | 641,499      | 950,147      | 380,261 | 1,971,907 | 1,117,381      | 323,262         | 3,412,550  | (2,811,832) | 600,718     |
| 2005 | 679,411      | 894,354      | 416,953 | 1,990,718 | 1,150,483      | 467,040         | 3,608,241  | (3,005,138) | 603,103     |
| 2006 | 650,148      | 849,506      | 383,551 | 1,883,205 | 1,080,904      | 518,924         | 3,483,033  | (2,791,820) | 691,213     |

Note: The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities of the Road Commission. This allocation is accomplished by the charging of rental on equipment used. The effect of the allocation (rental credit) is offset against equipment expenditures/expenses resulting in an internal gain or loss on the usage of equipment.

Table 11

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**2006 MATCH MONEY EXPENDITURES**  
**(UNAUDITED)**

| Township      | Unpaid Balance<br>12/31/05 | 2006<br>Expenditures | County Share      | Township Share      | Township<br>Payments | Unpaid Balance<br>12/31/06 | 2006 Unused<br>County Share |
|---------------|----------------------------|----------------------|-------------------|---------------------|----------------------|----------------------------|-----------------------------|
| Berlin        | \$ 13,132                  | \$ 85,800            | \$ 34,126         | \$ 51,675           | \$ 64,807            | \$ -                       | \$ -                        |
| Brockway      | 6,466                      | 107,521              | 40,709            | 66,812              | 58,124               | 15,154                     | -                           |
| Burtchville   | 7,347                      | 71,204               | 22,101            | 49,103              | 56,450               | -                          | -                           |
| Casco         | 6,482                      | 139,452              | 38,227            | 101,224             | 107,707              | -                          | -                           |
| China         | 71,543                     | 316,231              | 31,232            | 284,999             | 355,791              | 751                        | -                           |
| Clay          | 6,340                      | 293,604              | 51,799            | 241,805             | 70,170               | 177,975                    | -                           |
| Clyde         | 3,609                      | 211,616              | 30,965            | 180,652             | 82,377               | 101,883                    | -                           |
| Columbus      | 31,560                     | 136,747              | 33,082            | 103,665             | 128,805              | 6,420                      | -                           |
| Cottrellville | -                          | 32,464               | 16,232            | 16,232              | 6,052                | 10,180                     | 50,943                      |
| East China    | 54,387                     | 24,832               | 12,416            | 12,416              | 62,230               | 4,573                      | 3,251                       |
| Emmett        | -                          | 65,539               | 32,770            | 32,770              | 32,769               | -                          | 2,494                       |
| Fort Gratiot  | 4,115                      | 154,253              | 43,315            | 110,939             | 97,159               | 17,894                     | -                           |
| Grant         | 39,027                     | 127,927              | 22,934            | 104,992             | 129,609              | 14,411                     | -                           |
| Greenwood     | 52,731                     | 232,244              | 23,388            | 208,856             | 183,596              | 77,991                     | -                           |
| Ira           | 1,184                      | 29,556               | 14,778            | 14,778              | 13,171               | 2,791                      | 17,068                      |
| Kenockee      | 29,737                     | 125,977              | 27,357            | 98,620              | 113,742              | 14,615                     | -                           |
| Kimball       | 23,254                     | 224,407              | 63,567            | 160,840             | 134,078              | 50,016                     | -                           |
| Lynn          | -                          | 65,826               | 32,913            | 32,913              | 30,013               | 2,900                      | 19,400                      |
| Mussey        | 681                        | 64,161               | 32,080            | 32,080              | 32,743               | 19                         | 12,906                      |
| Port Huron    | 108,770                    | 412,046              | 45,789            | 366,257             | 413,568              | 61,459                     | -                           |
| Riley         | 1,711                      | 69,832               | 32,082            | 37,750              | 27,270               | 12,191                     | -                           |
| St. Clair     | 48,454                     | 112,250              | 40,397            | 71,853              | 87,078               | 33,229                     | -                           |
| Wales         | 2,541                      | 105,315              | 38,982            | 66,332              | 68,874               | -                          | -                           |
| Totals        | <u>\$ 513,071</u>          | <u>\$ 3,208,804</u>  | <u>\$ 761,241</u> | <u>\$ 2,447,563</u> | <u>\$ 2,356,183</u>  | <u>\$ 604,452</u>          | <u>\$ 106,062</u>           |

Table 12

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**2006 LOCAL ROAD IMPROVEMENT PROGRAM**  
**MATCH MONEY QUANTITIES**  
**(UNAUDITED)**

| <u>Township</u> | <u>Aggregate<br/>Surfacing &amp;<br/>Patching (Tons)</u> | <u>Roadside<br/>Ditching (Miles)</u> | <u>Dust Layers<br/>(Gallons)</u> | <u>Sealcoat &amp;<br/>Slurry Seal (Sq.<br/>Yd.)</u> | <u>Culvert Projects<br/>(Number)</u> | <u>Total<br/>Expenditures</u> |
|-----------------|--|--------------------------------------|----------------------------------|---|--------------------------------------|-------------------------------|
| Berlin          | 3,232  | -                                    | 192,500                          | -   | -                                    | \$ 85,800                     |
| Brockway        | 4,368  | 0.14                                 | 230,500                          | -   | 2                                    | 107,521                       |
| Burtchville     | 4,363  | -                                    | 51,700                           | -   | 1                                    | 71,204                        |
| Casco           | 8,558  | 0.12                                 | 150,500                          | -   | -                                    | 139,452                       |
| China           | 18,912   | 0.58                                 | 150,062                          | -   | 1                                    | 316,231                       |
| Clay            | -  | -                                    | 22,701                           | -   | 3                                    | 293,604                       |
| Clyde           | 6,271  | 0.49                                 | 147,000                          | 25,434  | 4                                    | 211,616                       |
| Columbus        | 7,563  | 0.94                                 | 153,300                          | -   | -                                    | 136,747                       |
| Cottrellville   | 954  | -                                    | 84,500                           | -   | 1                                    | 32,464                        |
| East China      | -  | 0.15                                 | 6,633                            | -   | 2                                    | 24,832                        |
| Emmett          | 3,135  | 0.09                                 | 79,700                           | -   | 1                                    | 65,539                        |
| Fort Gratiot    | 795  | -                                    | 42,300                           | 37,716  | -                                    | 154,253                       |
| Grant           | 8,965  | -                                    | 153,000                          | -   | 5                                    | 127,927                       |
| Greenwood       | 8,335  | 2.05                                 | 293,000                          | -   | 4                                    | 232,244                       |
| Ira             | 178  | -                                    | 40,400                           | -   | 1                                    | 29,556                        |
| Kenockee        | 6,072  | 0.50                                 | 177,500                          | -   | 4                                    | 125,977                       |
| Kimball         | 4,908  | 0.97                                 | 153,000                          | -   | -                                    | 224,407                       |
| Lynn            | 4,030  | 0.12                                 | 98,300                           | -   | 2                                    | 65,826                        |
| Mussey          | 2,751  | -                                    | 94,200                           | -   | 3                                    | 64,161                        |
| Port Huron      | -  | 2.27                                 | 12,500                           | 102,727   | -                                    | 412,046                       |
| Riley           | 2,081  | 0.62                                 | 95,000                           | -   | 1                                    | 69,832                        |
| St. Clair       | 2,020  | 0.88                                 | 174,000                          | -   | -                                    | 112,250                       |
| Wales           | 5,944  | -                                    | 106,300                          | -   | 5                                    | 105,315                       |
| Totals          | <u>103,435</u>   | <u>9.92</u>                          | <u>2,708,596</u>                 | <u>165,877</u>                                      | <u>40</u>                            | <u>\$ 3,208,804</u>           |

Note: Total Expenditures includes miscellaneous work such as construction, guardrail, mowing, bump burning, street signs, seal patching, etc.

Table 13

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**SCHEDULE OF TOWNSHIP MILEAGE AND POPULATION**  
**DECEMBER 31, 2006**  
**(UNAUDITED)**

|               | Local Roads                  |        |                | Primary Roads                |       |                | Population                        |                |
|---------------|------------------------------|--------|----------------|------------------------------|-------|----------------|-----------------------------------|----------------|
|               | Miles Outside Municipalities |        | Funds Received | Miles Outside Municipalities |       | Funds Received | Population Outside Municipalities | Funds Received |
|               | Local                        | Urban  |                | Local                        | Urban |                |                                   |                |
| Berlin        | 54.13                        | -      | \$ 87,528      | 21.98                        | -     | \$ 32,662      | 3,370                             | \$ 41,282      |
| Brockway      | 46.32                        | -      | 74,899         | 17.31                        | -     | 25,723         | 2,102                             | 25,749         |
| Burtchville   | 30.43                        | 11.90  | 68,103         | 10.15                        | 1.61  | 30,423         | 4,043                             | 49,527         |
| Casco         | 47.33                        | 0.27   | 76,961         | 30.09                        | 4.69  | 89,400         | 4,778                             | 58,531         |
| China         | 53.62                        | -      | 86,704         | 22.19                        | 0.55  | 38,215         | 3,683                             | 45,117         |
| Clay          | 41.63                        | 25.47  | 107,762        | 21.85                        | 4.03  | 70,867         | 9,858                             | 120,761        |
| Clyde         | 42.63                        | 9.44   | 83,923         | 27.97                        | 4.09  | 80,533         | 5,593                             | 68,514         |
| Columbus      | 51.65                        | -      | 83,518         | 29.48                        | 0.50  | 48,571         | 4,904                             | 60,074         |
| Cottrellville | 33.03                        | 1.68   | 56,077         | 17.68                        | 2.59  | 50,950         | 3,992                             | 48,902         |
| East China    | 16.67                        | 11.59  | 45,360         | 4.06                         | 1.86  | 23,755         | 4,070                             | 49,857         |
| Emmett        | 44.47                        | -      | 71,908         | 25.45                        | -     | 37,819         | 2,563                             | 31,397         |
| Fort Gratiot  | 39.59                        | 37.08  | 122,900        | 10.65                        | 10.65 | 117,299        | 11,386                            | 139,478        |
| Grant         | 43.62                        | -      | 70,534         | 19.14                        | -     | 28,442         | 1,900                             | 23,275         |
| Greenwood     | 47.32                        | -      | 76,517         | 25.19                        | -     | 37,432         | 1,638                             | 20,065         |
| Ira           | 27.80                        | 12.32  | 64,517         | 6.64                         | 1.15  | 20,824         | 7,342                             | 89,940         |
| Kenockee      | 49.76                        | -      | 80,462         | 20.44                        | -     | 30,374         | 2,636                             | 32,291         |
| Kimball       | 66.23                        | 21.55  | 141,315        | 31.12                        | 10.63 | 147,527        | 9,519                             | 116,608        |
| Lynn          | 47.07                        | -      | 76,112         | 26.14                        | -     | 38,844         | 1,409                             | 17,260         |
| Mussey        | 48.06                        | -      | 77,713         | 24.51                        | -     | 36,422         | 2,363                             | 28,947         |
| Port Huron    | 50.04                        | 50.04  | 160,378        | 17.74                        | 17.74 | 195,388        | 10,943                            | 134,052        |
| Riley         | 57.22                        | -      | 92,525         | 20.95                        | -     | 31,132         | 3,383                             | 41,442         |
| St. Clair     | 58.28                        | 8.72   | 108,086        | 34.47                        | 5.25  | 101,245        | 7,051                             | 86,375         |
| Wales         | 57.64                        | -      | 93,204         | 29.93                        | -     | 44,476         | 3,330                             | 40,792         |
| Total         | 1,054.54                     | 190.06 | \$ 2,007,006   | 495.13                       | 65.34 | \$ 1,358,323   | 111,856                           | \$ 1,370,236   |

Note: The miles and population per township represent the miles and population that is outside the cities and villages that are located in the respective townships.

Table 14



**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**SCHEDULE OF EMPLOYEES BY FUNCTION**  
**DECEMBER 31, 2006**  
**(UNAUDITED)**

|                            | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|----------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Full-Time Employees</b> |             |             |             |             |             |
| Administrative Office      |             |             |             |             |             |
| Administration             | 7           | 7           | 7           | 7           | 7           |
| Engineers/Inspectors       | 12          | 14          | 13          | 13          | 13          |
| Clerical                   | 8           | 10          | 11          | 10          | 10          |
|                            | <u>27</u>   | <u>31</u>   | <u>31</u>   | <u>30</u>   | <u>30</u>   |
| Construction/Maintenance   |             |             |             |             |             |
| Avoca Warehouse            | 13          | 14          | 14          | 14          | 15          |
| Capac Warehouse            | 13          | 14          | 14          | 14          | 14          |
| Marine City Warehouse      | 13          | 15          | 15          | 15          | 15          |
| St. Clair Warehouse        | 40          | 41          | 40          | 39          | 42          |
|                            | <u>79</u>   | <u>84</u>   | <u>83</u>   | <u>82</u>   | <u>86</u>   |
| Total Employees            | <u>106</u>  | <u>115</u>  | <u>114</u>  | <u>112</u>  | <u>116</u>  |

Note: Data was only available back to 2002

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**NET CAPITAL OUTLAY**  
**YEARS ENDED 1997 THROUGH 2006**  
**(UNAUDITED)**

|      | Land Improvements<br>Building and<br>Equipment | Less Depreciation | Less Retirements | Net Capital<br>Outlay |
|------|--|-------------------|------------------|-----------------------|
| 1997 | \$ 710,052                                     | \$ (715,498)      | \$ (321)         | \$ (5,767)            |
| 1998 | 708,344  | ( 755,636)        | ( 1,733)         | ( 49,025)             |
| 1999 | 1,216,645                                      | ( 853,894)        | -                | 362,751               |
| 2000 | 876,978  | ( 910,814)        | ( 2,813)         | ( 36,649)             |
| 2001 | 1,128,515                                      | ( 901,729)        | ( 40,250)        | 186,536               |
| 2002 | 1,343,162                                      | ( 1,062,708)      | ( 685)           | 279,769               |
| 2003 | 972,152  | ( 1,072,560)      | ( 1,395)         | ( 101,803)            |
| 2004 | 1,054,188                                      | ( 1,152,095)      | ( 181)           | ( 98,088)             |
| 2005 | 851,242  | ( 1,054,339)      | ( 1,851)         | ( 204,948)            |
| 2006 | 368,935  | ( 998,100)        | ( 256)           | ( 629,421)            |

Note: The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for depreciation and depletion in the governmental fund statements as a charge to various expenditure accounts, and a credit to a depreciation/depletion credit account. This credit is to be reported as an offset to capital outlay along with equipment retirements.

**ST. CLAIR COUNTY ROAD COMMISSION**  
**A Component Unit of St. Clair County, Michigan**

**CAPITAL OUTLAY**  
**2006 EQUIPMENT PURCHASES**

The St. Clair County Road Commission has 947 pieces of maintenance, construction and radio equipment at a total value of \$9,820,334. There are 229 pieces of shop, engineering, and office equipment with a value of \$1,222,962. A Shop Foreman is responsible for specifications, purchasing, maintenance and disposal of all shop equipment.

Mechanics are assigned to all districts. The Avoca, Capac and Marine City districts have one mechanic each; the St. Clair district, where all major repairs are made, has three mechanics, one welder, one tireman, and two plant maintenance men.

The method used to determine equipment replacement is based on a rating system with credits given to the percent of direct repair cost to purchase price, age, and condition.

The following new road equipment was purchased during 2006 at a cost of \$: 338,005

| <u>Equipment Description</u> | <u>Quantity</u> | <u>Purchase<br/>Price</u> |
|------------------------------|-----------------|---------------------------|
| Truck Cab & Chassis          | 1               | \$ 112,911                |
| Tandem Axle Dump Truck       | 1               | 136,154                   |
| Platform Lift                | 1               | 60,615                    |
| Tree Snear                   | 1               | 2,000                     |
| Grade Laser                  | 1               | 3,295                     |
| Air Compressor               | 1               | 12,291                    |
| Miscellaneous                | 1               | 10,739                    |
| Total                        |                 | <u>\$ 338,005</u>         |

Table 17



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of County Road Commissioners  
of St. Clair County  
St. Clair, Michigan

We have audited the financial statements of St. Clair County Road Commission as of and for the year ended December 31, 2006, and have issued our report thereon, dated April 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered St. Clair County Road Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Clair County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of St. Clair County Road Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects St. Clair County Road Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the St. Clair County Road Commission's financial statements that is more than inconsequential will not be prevented or detected by the St. Clair County Road Commission's internal control. We consider the deficiency described as follows to be a significant deficiency in internal control over financial reporting:

The Road Commission prepares various financial information to assess operations and the financial condition of the Road Commission including the completion of the MDOT ACT 51 Report at year end. However, that information is not required to be a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Road Commission relies on our firm to assist in reporting the annual financial report in accordance with Generally Accepted Accounting Principles.

The Road Commission has individuals on staff to review and determine that the financial report is accurate, however, under Government Auditing Standards Statement No. 112, which is first effective for the Road Commission's current year end, the staff is not currently prepared to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Road Commission is considered to have a significant control deficiency, since reporting errors or omissions could occur in the presentation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the Road Commission would not be in a position to detect the errors or omissions.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the St. Clair County Road Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether St. Clair County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

We noted certain matters that we reported to management of the St. Clair County Road Commission in a separate letter dated April 25, 2007.

This report is intended for the information and use of the management and Board of County Road Commissioners of St. Clair County, Michigan and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

April 25, 2007

## MANAGEMENT LETTER

To the Board of County Road Commissioners  
of St. Clair County  
St. Clair, Michigan

We have recently completed our audit of the basic financial statements of the St. Clair County Road Commission as of and for the year ended December 31, 2006. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control and the operational efficiency of the Road Commission's recordkeeping system or compliance with laws and regulations. These observations are a result of our evaluation of internal accounting control for audit purposes and our discussions with management. As noted in the ***Report on Internal Accounting Controls*** these observations were not considered significant deficiencies in relation to the basic financial statements of the Road Commission.

### **Adoption of an Investment Policy**

The County Treasurer as the custodian of the Road Commission cash performs the investing under the County Investment policy.

The Michigan Department of Treasury believes that a Road Commission should have its own formal board approved investment policy that documents the Road Commission's policy on acceptable deposit and investment risks. The Road Commission should have the investment policy even with the County Treasurer being responsible for maintaining Road Commission cash.

We recommend that a formal investment policy be adopted by the County Board of Road Commissioners.

### **Accrued Claim Liability**

The Road Commission is self-insured for health care benefits with the administration services of the self-insured program administered by the health insurance company.

Entries to the general ledger are required to be made by the Road Commission to reflect accrued claims liability (including IBR) and to reflect the accrual insurance cost as an expenditure.

We recommend that the required adjustment be made periodically (possibly quarterly) to record the entries rather than waiting until year end. This procedure should assist in the analysis of the activity related to the self-insurance process.

These observations were considered in determining the nature, timing and extent of the audit tests applied in our audit of the December 31, 2006, financial statements. We have not considered internal control since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

This report is intended solely for the information and use of management, the Road Commission Board, others with the Road Commission of Michigan, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss these conditions with you and to provide assistance in the implementation of improvements.

Sincerely,

A handwritten signature in cursive script, reading "Stewart Beausant Whipple". The signature is written in dark ink and is positioned below the word "Sincerely,".

April 25, 2007